



THE MAGAZINE OF WALL STREET

WITH "INVESTMENT" COMBINED

Vol. Fifteen

NOVEMBER, 1914

No. One

Current Financial Opinion

War Problems From the Investment Viewpoint

Favorable Factors In the Near Distance.

THE United States is always a debtor nation. Hence the sudden breakdown of the world's credit machinery left us in the position of owing a great deal of money—some estimates running even as high as \$300,000,000—that we could not instantly pay.

No nation and no individual can at once pay all debts in gold. Modern trade is founded on the credit system. Gold is used to pay only the small balances left over after debits and credits have been offset.

As a debtor nation, the sudden destruction of credit left us badly "in the hole." We are now slowly crawling out of the hole through the re-establishment of credit by means of straightening out the foreign exchange situation and as a result of the gradual growth of our exports.

F. J. Lisman & Co., New York: The effect of the war on the United States in general is very complicated.

It is certain to help the food producing sections and will hurt the cotton raising sections, at least temporarily. The lack of certain

ingredients which have hitherto been imported is interfering with many manufacturers, and the lack of a market for other products which have been shipped to Europe handicaps others.

There are many lines in which the export business will grow rapidly as a sequence of the war, and many articles hitherto purchased abroad will be manufactured at home, not only temporarily but permanently, thus giving great expansion to our own manufacturing and internal commerce which probably exceeds our export business a hundred times.

The high prices for our big crops are certain to be very beneficial, and on the whole the growth of additional capital in the United States during the next twelve months is likely to be very large. In the meanwhile, no new securities are likely to be created, and there is, therefore, bound to be a substantial market for existing investments. In fact, we, as well as other investment houses, have already found many people looking for bargains.

There are many cross currents and new elements in the situation:

The creation of paper money in all countries.

The new Federal Reserve Bank in the United States.

The falling off of business in all new countries.

The cessation of all new construction at home, etc.

While we do not know whether the interest rates will be higher or lower, we can see that the effect of these various factors may overcome the great monetary needs of the countries now at war, and it would not be astonishing if when the Stock Exchange reopens the

prices of securities would be higher than the closing prices of July 30. We believe that the fears of our own people have subsided to a great extent.

N. W. Halsey & Co., New York: The inevitable result of the great shock which has affected the credit structure will be a material contraction in commercial and industrial activity. Business will go slow until it catches its breath. Some bankers incline to the view that within the next few months we shall see just the reverse of the present situation—that is, a plethora of loanable funds in all financial markets on account of the limited demand for money from commercial and industrial users.

President of one of the largest New York banks: Prospects for an increase of railroad rates are excellent. The present is, I may say, the first occasion on which I felt hopeful of a substantial measure of relief for the railroads at the hands of the Interstate Commerce Commission.

A second favorable factor is the progress being made towards the establishment on the Federal Reserve banking system. The new banks will be in operation before January 1 at the furthest. Immediately following their establishment we shall be able to retire all our Clearing House certificates and emergency currency; and the reduction of reserve requirements, combined with the new Federal Reserve notes, representing possibly a moderate degree of inflation, will result in easy money conditions and a big demand for commercial paper. That will afford an important stimulus to business.

The third favorable development to which I look forward is the reopening of the London Stock Exchange, followed by a resumption of trading in New York. Even if the war conditions remain as they are, London's reopening will not be very long deferred.

National City Bank of Chicago: The rate of interest now prevailing in Chicago is seven per cent. There are several reasons for this:

First: It must be remembered that the new Federal Reserve bank system is not yet established, and the great fault of the old system is still operative—namely, that the country banks withdraw their reserves from the centers when anything big enough to alarm them occurs. From this cause and from the ordinary crop-moving requirements at this season combined, the Chicago national banks have had to liquidate about 30 per cent of their bank deposits. There being less to loan, the borrower naturally has to pay more for it.

Second: In order to maintain reserves and abstain from calling loans, the banks have resorted to Clearing House certificates as a means of settlement among themselves. As the state banks do not have so large country bank deposits, this results broadly speaking, in their carrying the national banks' certificates at a cost to the latter of 7 per cent. This bank, for example, has thus borrowed over \$2,000,000 at that rate, and loaned it to its customers without profit.

Third: When emergencies arise, the banks in the large financial centers must raise rates in order to discourage all speculative enterprise for the time being, and confine their loans to the legitimate necessities of their customers.

For these reasons, the temporary rate of 7 per cent, now common here, is fully warranted. Before the close of the year we believe it will have reached a more normal figure.

Easier Money

On the Way.

IT is tight money, to a large extent, that has compelled the sacrifice of stocks, but that condition is gradually passing away. Cash is flowing to New York at a season when it usually flows away from that center. The slackening of business everywhere has released a larger amount of funds than appears on the surface. One note brokerage house reports that out of \$11,000,000 of notes recently maturing, \$10,500,000 were paid off. Furthermore, Washington says that the new Federal Reserve Banks will open soon after November 1, and \$250,000,000 of money for their use is already being printed, with which to retire emergency currency. Says the *Wall Street Journal*, in regard to the heavy movement of currency eastward:

There is only one explanation for this—the usual one after a crisis in the money market. The development is, however, accentuated on the present occasion by the injection of so much additional money into the circulation of the country. To date there has been issued a total of \$345,000,000 emergency currency. About \$200,000,000 of this was for the banks of the interior, which is more than is actually needed at the moment for the movement of the crops.

Add to this the general slackening of trade and business and it is not surprising that New York is being made the dumping ground for the superfluous money of the country. So far much of the inflow has been in the shape of national bank notes.

In London money is already very easy, with call loans as low as 1 1/4 per cent. *New York Herald*:

What's the matter with London? It's all right.

The fourth issue of British Treasury notes for war expenses—\$75,000,000, making \$300,000,000 in all—has been taken at 98.33, or on a basis not much exceeding the three per cent. face of the notes, which run for six months.

Further evidence of the relative ease of money at the British center is seen in the sale of London and Southwestern Railway ten year five per cent. securities at 99 1/2, and in the continued inquiry here by British investors for remunerative short term notes.

**McAdoo Spanks
Country Banks.**

OF course one of the reasons for high money rates has been that the country banks have felt it necessary to maintain higher reserves than the city banks. Secretary McAdoo calls this "hoarding," and he has called up the offenders by name and threatened to spank them by withdrawing government deposits and emergency currency. The banks naturally repudiate the charge of hoarding. As a San Diego bank put it:

We consider it a compliment to be one of the 247 banks with a large and safe reserve, and will continue to protect our depositors by keeping our reserve above legal requirement, especially under the present financial conditions both in the United States and abroad.

In view of all that the various representatives of the present administration have had to say about the iniquities of the New York banks, it is rather amusing to note that McAdoo now finds that "New York banks have met and are meeting the situation in a fine and commendable spirit, but their service is neutralized in a considerable measure by those banks which refuse to do their part."

Undoubtedly there has been unnecessary timidity on the part of some country banks, but the Secretary's fierce talk about his "black list" of banks most emphatically did not make a "hit" with the country. The Boston *News Bureau* admits that "the country banks are not taking their proper discount position, but are accumulating reserves and throwing the burden of mercantile discounts upon the New York banks." The *Times* presents the other side of the argument:

Country banks have need of reserves in relation to their business, rather than in relation to the law. A bank with a few thousand dollars capital in a village is national only in name. It is neither a commercial nor a financial bank, with short maturities, and easy access to sources of quick extrication from its necessities. Such banks make collections mostly at their customers' pleasure, but must meet their demands for money from money, for there is no other resource. Particularly is this true now, when even the best banks are carrying unusual resources in emergency and clearing house certificates in excess supply in provision against they know not what. Emergency currency is not useful for such banks as the Secretary names in the large denominations provided. Clearing House certificates and

rediscount are not for them. They know their business as well as the Secretary.

* * *

**Foreign Liquidation Still
The Unknown Quantity**

THE London Stock Exchange has followed the lead of New York in agreeing not to execute orders for Americans below the closing prices of July 30 at New York. As to how much foreign selling there will be when the exchange opens, we are still as much in the dark as ever. It is expected that London will adopt restrictions to prevent sales by Germany and Austria, and New York may have to follow London's lead in that particular. The *Wall Street Journal* has been trying to find out how much of our stock is held abroad:

Returns to date show that of \$3,000,000,000 stock outstanding, approximately 10%, or \$300,000,000 is held in Europe. While this list is necessarily very incomplete, it is one that is representative of American stocks enjoying a broad market, and it is likely that the above percentage shown as held abroad is fairly close to what a complete list of the stocks listed on the larger exchanges of the country would show.

It is obviously impossible to get exact data as to the amount of a company's bonded debt



NOW THAT SHE'S ALONE.

—Des Moines Register.

held abroad, owing to the relatively small number of registered bonds. Estimates made indicate a larger proportion of bonds held abroad than stock.

Sir George Paish, in 1911, estimated that \$3,000,000,000 of English capital was invested in American railroads. This is equal to about 18% of the total investment in American rails. In view of the fact that stock holdings probably do not run much over 10%, and taking into consideration Continental holdings, it would seem reasonable to suppose that close to one-quarter of the bonded debt of the railroads of the country is held in Europe.

The *Financial World* thinks the danger of foreign sales is much exaggerated, but finds that heavy American selling orders are awaiting the opening of the exchange and favors the formation of a \$50,000,000 pool to take over these securities.

As far as our inquiries have thus far gone foreign liquidation is not likely to be nearly so great as had been feared. The English position in our stocks is especially favorable, and there is a surprisingly small total of selling orders from that source in the hands of international bankers. The same is true of the French position, where the bulk of our holdings consists of bonds and few stocks. The German situation is more serious, although even here our information shows steady selling of our securities from German sources had already been going on quietly for fully six months before the war clouds broke and an avalanche of liquidation cannot reasonably be looked for.

But how about our own position? That is different, as night is from day. At the present writing the domestic orders to sell American stocks are far in excess of those of foreign holders. The proportion of such orders is roughly estimated at nine American to one foreign.

The \$100,000,000 Gold Pool

Arguments for and Against the Plan.

GI will be remembered that Jacob Schiff was the first to take the high-minded position that we must pay our debts in gold if necessary, though half the rest of the commercial world be bankrupt. Other bankers, many of whom were at first inclined to differ, have gradually come around to his way of thinking. The gold pool, formed largely under the leadership of the Federal Reserve Board, which is thus early beginning to demonstrate its usefulness, is the solution. It enables us to pay our just debts and at the same time to conserve our gold resources as far as possible. The arguments for and against the pool are thus summarized by the National City Bank:

There has been no little vigorous opposition to the idea of forwarding gold to liquidate our indebtedness under existing conditions. The objectors have urged that important sums are owing to the United States in foreign countries and are uncollectible at present because of the moratoria in force, and that these sums are a proper offset to the debts we owe; that world conditions are wholly abnormal and incalculable, and that there is no knowing when security markets and trade relations will become normal or how much gold will go out if we relax our grasp upon it; that we had nothing to do with creating existing conditions, but

have as much right to protect ourselves in the universal disorder that has resulted as the combatants have to suspend not only gold payments but the laws for collection of debts, forbid exportation of commodities, seize goods consigned by neutrals, or owned by neutrals, and do other arbitrary acts affecting the rights of neutrals, on the plea of military necessity; and finally, that the existing state of affairs, while deplorable, has the effect of discouraging further purchases by our people abroad, and of encouraging foreigners to take commodities in settlement of the present indebtedness; and that the situation will work itself out in this manner with more safety and possibly in shorter time, than by attempting to restore the equilibrium through gold shipments.

On the other hand it is recognized that the obligations now pending were created before the present situation developed, and confidence is felt that with these cleared away effective measures can be adopted to safeguard the future. It is an axiom in the scientific management of gold reserves that they are to be protected by preventing the creation of indebtedness rather than by forbidding payment after it is created. It has been considered that the individual citizens, corporation and municipalities of the United States should be enabled so far as practicable to meet their foreign obligations promptly and in the usual manner. They desire to do so, and our credit as a people will be greatly strengthened by doing so in a time of stress, despite fair reasons for doing otherwise. At a time which seems propitious for raising New York to a new rank as an international money market it is worth while to exert ourselves to keep it on a gold basis. Positions of leadership are not gained or held in the world of affairs without the exercise of courage and resolution in times of emergency.



A NEW PLAYER AT THE BAT.
—*St. Louis Globe-Democrat.*

How the Gold
Pool Works.

IN anticipation of the formation of the Gold Pool, exchange fell about five points, from \$5.01 to \$4.96; but when operations were actually begun, exchange began to rise again. This was disappointing to many, who had expected exchange to decline to perhaps \$4.90. The rise in rates was due to the fact that the pool did not sell exchange freely, but only at rates slightly above the outside market. The reasons for this, and the method on which the pool is operating, are thus explained by the *Evening Post*:

In approving the plan to organize the pool, the Federal Reserve Board declared "that the creation of a large gold fund at this juncture will have a far-reaching effect for good, and will prove an effective factor in restoring confidence, in bringing relief, in protecting and strengthening the country's credit, and in facilitating the exportation of our products."

This object will be accomplished sooner, even in the judgment of bankers whose requests for exchange have been turned down by the committee, if the exchange is supplied at the highest level prevailing, than if large offerings of London bills should be made with the idea of causing a quick decline.

The committee has adopted regulations governing its transactions with the public. All applications for exchange must be filed by noon, the committee acting upon them at 3:30 o'clock, and stating then the rate at which

the exchange asked for will be issued, in whole or in part. This is done to prevent speculation, and to make it impossible for any one to know, while the general market is open, what rate the committee is asking for exchange.

The gold fund committee does not deal with brokers. It recognizes no intermediary, and will sell exchange only to applicants who state frankly the character of the operations that they wish to remit for. These conditions have been resented by many buyers, who say that they should not be made to disclose the private details of their business transactions. On the other hand, the committee insists that they were necessary in order to make sure that the exchange was sold only to people having pressing obligations to meet, especially those of a strictly mercantile character.

Everything is done with the idea of enlarging the supply of exchange, and not to stimulate the demand. In cases where it is possible to defer making remittances, no exchange is furnished.

Interior banks will soon be called upon to make large payments to the New York committee on account of the fund.

* * *
Russell Sage's
Far-Sighted Suggestion.

MANY still question whether the methods of the Gold Pool afford the best solution of the problem and assert that better results would have been obtained by simply letting down the gates and allowing gold to flow abroad freely.

Doubtless caution is the best policy. We are feeling our way through an unknown situation. For example, it was at first thought that the first call for \$25,000,000 gold would probably be sufficient to relieve the exchange situation, but this is now seriously doubted. Everything depends on the amount of our exports, but at the moment the prospect seems to be for a much larger outflow of gold than was at first expected.

Financial America calls attention to an interesting suggestion by Russell Sage thirty years ago, which is now being partly realized in the establishment of the Gold Pool:

If one owes a debt in Portland, Ore., or in Portland, Me., he pays a check which goes through the Clearing House and credit is then given on the books of the bank for the amount involved. If we could only have an Anglo-American Clearing House, it would do away with gold shipments, the consequent loss by abrasion, freight charges and insurance. And besides, it would have a tendency not only to stop panics, but avoid them. Establish an Anglo-American Clearing House and all the difficulties incidental to trying conditions would then be overcome.

Manufacturing, Commercial and Crop Prospects

Business Men See Better Trade Coming.

THE industries of the country are now running on a basis of about 70 per cent. of capacity, taken as a whole. Activity in certain lines is balanced by especial dullness in others. The steel companies, for example, are doing only 50 to 60 per cent. of normal, car companies 40 per cent., locomotive manufacturers only 30 per cent. But in the lines which can furnish war supplies many companies are rushed with business, as more fully chronicled elsewhere in this issue.

Many business men, however, are predicting a genuine boom, and the general run of opinion seems to be decidedly cheerful:

Newman Erb: I found conditions in Michigan very satisfactory.

Passing on to Chicago, I found a more depressed sentiment. Chicago, more than any other city in the West, reflects conditions in New York. One of the brightest features that I have observed in the business situation in Chicago was the packing industry. The shipments of packing house products to Europe are large. I understand that since the war broke out one concern has shipped \$3,500,000 worth of its products to France alone. Prices are good and everything indicates that this industry will enjoy prosperity for some time to come.

While on my trip West the heads of large department stores told me that in some instances they were doing a bigger business than last year, but that the people were not buying "frills," but more substantial things, apparently what they actually needed.

James G. Batterson, Travelers Insurance Company, Hartford: Our business has not been affected in the slightest. We expect this month to be the largest in the history of this office.

I believe that much of the so-called depression is "psychological." We are looking for a great industrial boom, which should start by next spring if not earlier. We will then experience a wave of prosperity such as we have never known.

When this war is ended there will be an economic saving all over the world through the reduction in armies and navies.

Benjamin Akin, Sales Advertising Manager, Huyler's: Out west people talk about bumper crops and investments. They have no inclination to talk about war or hard times. Everything looks rosy to them. The farther away from Wall Street I got the more cheerful I found people to be. In the Wall Street zone there is a feeling of depression, but that feeling does not permeate the country, which is a good thing for the country.

In our own business everything is fine. I suppose some lines of business are affected by war conditions, but there are not enough of them to justify a general cry of hard times.

Frank A. Furst, Baltimore: If the war is soon over that means good times for this country, and if it is not that means good times here, so far as business is concerned, for we shall have to produce for Europe. Things that they have been making over there for themselves, for us, and for the rest of the world we shall learn how to make for ourselves, and that is where we come in. Money is tight in Baltimore, but the city is making very large improvements and is spending millions on sewerage and street paving, so that puts a great deal of money in circulation.

* * *

Big Problems To Be Solved.

BUT only one thing will solve the problems that still stand in the way of a return of normal prosperity—Time. For an unforeseen situation the remedies also are necessarily unforeseen, and they must be slowly worked out:

Hayden, Stone & Co.: There are three prime essentials to the re-opening of the Stock Exchanges and a general restoration of normal business conditions.

First, the straightening out of the banking and foreign exchange situation; second, provision for financing the cotton crop; third, the establishment of railroad credit.

In regard to the first, good progress has already been made and it seems probable that this feature will again be normal inside of a few weeks.

A start has been made on the second, and this promises to be accomplished without pernicious governmental action.

The third question, that of railroad credit, lies largely in the hands of the seven mem-

bers of the Interstate Commerce Commission, who, we can only hope, will be alive to their enormous responsibilities.

With these three problems solved, we think we may look forward to quite a resumption of industrial activity, both internal and external.

Boston Commercial: The present business depression and the European war are sowing the seed for one of the most stupendous harvests of industrial activity and prosperity that the human race has ever witnessed. Aside from the one item, the abundant crops grown this year in the United States, the consumption of commodities is exceeding production all over the world.

The people of the countries at war are consuming and destroying capital, and those of all countries at peace are practicing a rigid economy unprecedented in recent years. Thousands of factories are idle or running on short time in the United States, the indulgence in luxuries has been more than cut in half and almost everybody is wearing out his old clothing.

Merchants are clearing their shelves of shopworn merchandise through the medium of cut price sales, which now appeal more strongly to the public than ever before because of the general tendency to economize.

This is a regime which cannot be continued indefinitely. The surplus stocks of manufactured commodities were exceedingly small before the war and within a few months they will have reached the vanishing point. When all of us have worn out our old clothing we shall have to buy, and the practice of saving which all are following will put the people of the whole world in a position to buy as soon as they realize that the war is at an end.

The prospect therefore is that a worldwide demand for the ordinary necessities and many luxuries finally will develop suddenly and at a time when the marketable supplies have been practically exhausted. It will result in the immediate inauguration of a period of full volume production in practically every line of industry, and the United States will reap a greater benefit from it than any other country in the world.

Montreal Correspondence of Dry Goods Economist: American goods will be in greater demand by Canadian concerns, especially goods formerly manufactured by Germany and Austria. Americans and Canadians will be brought much closer together commercially by the war.

Canada is now buying more than \$400,000,000 annually from the United States alone and is importing less than \$50,000,000 from Continental Europe. Canada will have to increase her purchases from the United States in cotton goods, dress silks, ribbons, silk gloves, silk hosiery, high grade novelty garments and millinery, leather and brass novelties, kitchen goods and toys.



"BEESEN IS VERRA DULL THE NOO!"
—Vancouver Sun.

Prospects in the Steel Trade.

GLOOM is pretty thick in the steel trade, with business dull and prices low. Yet good judges believe that when any important change appears it will be in the direction of improvement:

Matthew Addy & Co.: Careful students of the situation nearly all agree that the European war must mean a decided advantage to the American iron trade sooner or later. The only question is, how soon or how late; will it be in thirty days, ninety days, or six months?

Steel and Metal Digest:

OUR PREDICTION—A BOOM.

A boom, by which we understand a period when the business imagination is optimistically excited; a period when the desire to buy far exceeds the desire to sell; when in consequence prices begin to rise, with growing excitement, and each advance only adds fuel to the fire. The pendulum of trade having previously been swung in the direction of extraordinary depression, and held there by some abnormal causes long after it should have normally swung back, is suddenly released, and the swing in the other direction sweeps everything before it.

This we believe will follow the end of the present war. It has followed the end of all modern wars. The immensity of the present war and its sensational results, to our mind, means a likewise sensational reaction.

REASONS WHY.

But there are other reasons than the mental. There must be a stupendous movement to replace the destruction caused by the war. Millions of those best able to work for the physical advancement of the world, and who have in the past been idle and supported by the workers as armed European camps, will be thrown into the

channels of trade, and join the industrial armies of their respective countries, and there will be plenty for them to do.

The awful destruction of cities, towns and villages that has taken place, and the further destruction that is to follow before the war is ended must be repaired. The end of the war will see enormous activity and the erection of new cities and towns and buildings on the ruins of the old, and in their reconstruction more iron and steel and metals will be used in the modern structure than was the case in those that they replace.

The argument so often heard that there will be no capital, we dismiss, as we don't believe it. There will be what is more necessary and powerful than capital, namely, confidence.

There may be less idle capital to put in speculative interests and wild cat schemes, but there will be a flood of hoarded funds to come out with the price that will be offered for it, for employment in activities and construction that are genuine and absolutely real and safe and which cannot be left undone.

THE PART THE STEEL AND METAL TRADE WILL PLAY.

But there is another reason for the boom we predict and it especially applies to iron, steel and metals. Where will be the supply to meet the extraordinary demand for this new construction? For months before the war on account of dull trade we have been keeping 25 per cent. of our normal production of these raw materials in the ground, and since the war, 50 per cent., which rate or even less may continue while it lasts.

Does anyone suppose our requirements after the war will not be as large as in ordinary good years? Our opinion is it will be larger. How will it be filled? We have been forced to produce only a supply equal to an extremely abnormally small demand.

The demand will come in a flood, and it will take, even with our greatest efforts, a long while before the finishing commodity will be produced, in quantity commensurate with the extraordinary demand. The time it will take will be the period of the boom we predict will last.

* * *

Clayton Bill Has Its Teeth Drawn.

IN the midst of war's alarms everybody seems to have forgotten about the Anti-Trust Bill. It has been whipped into a more reasonable shape and passed, and bids fair to make a fine lot of work for the Courts in deciding what business practices will tend to lessen competition within the meaning of the bill. It will probably prove harm-

less enough to business. The *Journal of Commerce* thus summarizes it:

The bill makes it unlawful for any person to discriminate in price between different purchasers of commodities, where the effect of such discrimination may be to substantially lessen competition or tend to create a monopoly.

It is unlawful to lease or make a contract for sale, of goods, machinery or supplies whether patented or unpatented, or fix a price charged therefor, on condition that the lessee shall not use or deal in the goods, machinery or supplies of a competitor.

Nothing contained in the anti-trust laws shall be construed to forbid the existence and operation of labor, agricultural or horticultural organizations, or restrain their members from carrying out the legitimate objects of such associations, or construed to be illegal combinations or conspiracies in restraint of trade.

No corporation shall acquire directly or indirectly the whole or any part of the stock of another corporation where the effect of such acquisition may be to substantially lessen competition.

Two years after the passage of the bill no person shall at the same time be a director or officer of more than one bank or trust company, which has deposits, capital, surplus and undivided profits aggregating more than \$5,000,000. This applies to banking institutions located in cities having a population of 200,000 or more, but does not take in mutual savings banks not having a capital stock.

That two years after the passage of the act no person at the same time shall be a director in any two or more corporations, any one of which has capital, surplus and undivided profits aggregating more than \$1,000,000 engaged in whole or in part in commerce.

No common carrier shall have any dealings in securities, supplies or other articles or shall make or have any contracts for construction to the amount of more than \$50,000 in the aggregate in any one year, when the said common carrier shall have upon its board of directors or as its president or officer a person who is at the same time an officer of such a corporation. Bids for supplies must be made in accordance with regulations prescribed by the Interstate Commerce Commission.

That whenever a corporation shall violate any of the penal provisions of the anti-trust laws such violation shall be deemed to be also that of the individual directors, officers or agents who shall have authorized or done any of the acts constituting in whole or in part such violation. Upon conviction therefor such director shall be punished by a fine not exceeding \$5,000 or by imprisonment.

No preliminary injunction shall be issued without notice to the opposite party. No temporary restraining order shall be granted without notice to the opposite party unless it shall clearly appear from specific facts that immediate and irreparable injury will result to the applicant before notice can be served and a hearing had thereon.

Economics of the War

Daily Cost of Armies a Staggering Sum.

NOBODY is able to figure the daily cost of the war to the nations involved at less than \$30,000,000 a day, and \$40,000,000 is about an average of the various estimates. The *Chronicle* discusses the demand and supply of capital at some length:

Finance Minister Ribot of France calculates the average war outlay of that country to date at \$7,000,000 per day. A recent unofficial Berlin estimate of Germany's war cost gave \$5,000,000 as the average daily expenditure for that country; but if the French statement is correct, this German estimate is certainly too low, because, with campaigns in progress both on its east and west borders, and with practically all its reserves under arms, Germany's expenditure can hardly fail to exceed that of the defensive campaign in France.

As for England, the *British Exchequer's Weekly* statement latest to hand shows a daily average war outlay \$3,800,000 in excess of the figures of a year ago. If one were to assume Minister Ribot's figure for Germany and Russia as well as France, and were to allow for England and Austria, the cost per day for all these five belligerents would closely approximate \$28,000,000.

Considering that Japan and Belgium also are at war, and allowing for the outlay of neutral States and for the actual destruction of capital in the war to date, this is unquestionably an underestimate of total cost. Continued for six months, even that daily average would mean an outlay of \$5,100,000,000. This week's estimate by the French economist, Yves Guyot, calculated that six months of war would involve an outlay of \$16,000,000,000 to the seven belligerents. This, however, must apparently take into account other expenses than the actual outlay on the armies.

Precisely as armies of a magnitude never before equalled are now conducting the campaigns, so the capital facilities available to foot the bill are of proportions never imagined in any earlier war. In the German Empire subscriptions to new securities in a single year have run as high as \$800,000,000; in England, they have reached \$1,335,000,000. It is also a well-known fact that investment capital in all European countries has been held back from the open markets during the past three years with a view to exactly the present situation.

Placed as it then was, mostly in short loans, it will be available now for the enormous war issues. But experience also teaches that resources of capital may be touched, under stress of war, such as had never previously been recognized in the calculations of the market. It

was at a time when our Government was almost in despair as to the ability of the United States to finance its own Civil War expenditure that Jay Cooke, taking a Government 6 per cent. loan on a commission basis, peddled out through agents the newly invented coupon bonds in every town and village of the country, placing in this way, if we remember rightly, between \$500,000,000 and \$750,000,000. Who would have thought that in 1904 and 1905 the Japanese people would have been able to subscribe to two or three hundred million dollars in domestic loans?

All these reservoirs of capital will in due course undoubtedly be touched in the present contest. The world-wide strain may turn out to be less than had been apprehended. But it is not safe to forget that the world's accumulation of capital for peaceful industry has been mostly arrested, and that the burden, not only of debt but of rapidly mounting taxation, must rest on the belligerent States for years to come.

* * *
"Economics of
the Sword."

UNDER the above title Garet Garrett predicts some of the economic results of the war in a recent issue of *Everybody's*. Some of these results he schedules as certainties and others as merely probabilities:

When peace is restored and the countries of Europe begin to issue bonds, partly to pay off the debts incurred by war and partly to raise new capital with which to start again, there will be an enormous quantity of new securities for the world's investors to absorb, and on that account interest rates will tend to rise. War piles always higher the mountain of national debt.

Afterward, from the destruction of wealth and property exceeding the value of all the railroads in America, Europe will be for many years poor, with a diminished power to purchase goods in the world's markets.

Then will come a great fall in prices, owing in part to the return of armies of men from war to productive work, which enormously and suddenly increases the production of goods, in contrast with what it has been; and partly, besides, to the diminished purchasing power of people compared with what it was before the deluge, and to a new spirit of economy among them.

The contingent probabilities are tremendous. In their purely commercial aspects they seem highly favorable to this country.

One may prove the economic fallacy of supposing that one class of people can prosper really at the expense of another, and yet experience will challenge theory. A house burns

down. Persons in the crowd say: "Well, it's an ill wind that blows nobody good. There is work for carpenters and masons and laborers to build a new house." To this the economist retorts: "Not so. The community is poorer by one house that is lost. The money that will have to be spent to build a new one would have been spent for other things which are now impossible." But he is taking an average of all welfare, whereas the carpenters and masons and laborers are thinking only of themselves. And they are right. There will be more work for them at once, and if you say there will be less later, why, that is very hard to prove. It is prophecy.

Europe is burning. We are the carpenters, masons, and laborers, for whom there is going to be more work than before, though the average welfare of the world, no doubt, will be impaired.

Should the war be long, this country would undoubtedly gain access to markets hitherto occupied by Europe, especially those of South America, from which it would be impossible to dislodge us afterward.

Should the war be long, a great stimulus would be imparted to the manufacture of goods hitherto bought from Europe, so that we should be more self-contained industrially forever afterward.

Should the war be long, Europe would run up such a debt with us for the means of protracting it, that we should be less a debtor nation afterward than ever before, and might, in fact, be able to cancel the greater part of the capital indebtedness, for money borrowed in the past, on which we remit annually to the Old World seven hundred millions of interest and dividend money.

* * *

Where Some of the Money Could Be Saved.

WITH the whole world economizing to pay the cost of the war, there is hope that some of the extravagances which have been growing on us for a decade or more, may be cut off. Our cities, for example, have been

spending money with a lavish hand. We could, without serious injury, save a considerable part of the daily cost of the war by reducing municipal extravagance in this country. The *Annalist*, in a recent issue, calls attention to our wasteful methods and illustrates the situation by a diagram which is reproduced here-with:

The average cost of government of our leading cities—New York, Chicago, Philadelphia, St. Louis, Boston, Cleveland, Baltimore, Pittsburgh, and Detroit—exceeded revenue receipts by \$2.62, or 8.16 per cent. for each person residing therein.

* * *

Good Crops, and Good Prices for Them.

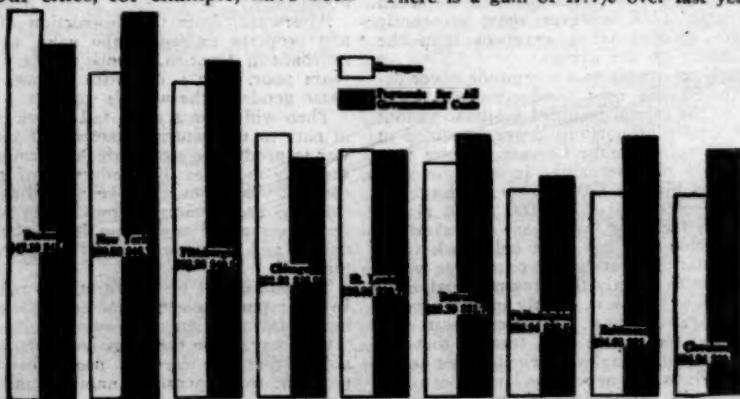
WHILE the statisticians are tossing the billions around in connection with the war, it is just as well to remember that we raised a few billions of our own out of the ground this year. *Bradstreet's*:

On the basis of October 1 prospects of yield and prices, the value of the leading food crops this year and last sums up about as follows:

	Values, 1914	Values, 1913
Winter wheat...	\$637,200,000	\$424,676,000
Spring wheat...	199,206,000	177,600,000
All wheat.....	836,406,000	602,276,000
Corn.....	2,092,632,000	1,842,591,000
Oats.....	492,321,000	444,312,000
Barley.....	101,046,000	101,104,000
Rye.....	33,970,000	26,568,000
Buckwheat.....	13,379,000	10,374,000
White potatoes.....	247,154,000	245,348,000
Flax.....	21,658,000	22,068,000
Hay.....	812,130,000	782,080,000
Apples.....	141,680,000	110,925,000

Total \$5,628,782,000 \$4,790,522,000

There is a gain of 17.4% over last year.



Revenues and Expenditures Per Capita

The Problem of Cotton and Copper

Handling the Cotton Crisis.

THE sudden checking of our exports of cotton and copper has been the most troublesome feature of the war situation as affecting this country. Not only are our foreign credits thus cut down at a time when they are urgently needed to cover remittances for stocks sold to us by Europe, but our home trade is dealt a serious blow. H. R. Eldridge stated the cotton situation clearly to the Secretary of the Treasury:

It seems evident that, if the almost unprecedented situation in which American cotton is now found, by reasons of causes beyond our control, is to be saved from great demoralization and heavy losses to the country and the cotton producers, some 30 per cent. of this season's production must be removed from the present market and carried over to the next season; and that it must be accomplished in such a convincing way as to cause spinners to realize that the undoubtedly heavy surplus will no longer be a menace to the market, while the abnormal conditions in the cotton manufacturing industry of the world continue.

It will cost the cotton producer in wages and material not less than \$15 per bale to pick, gin and pack the cotton he has produced this year. This sum represents a cash advance that cannot and must not be avoided. Meeting these charges makes imperative a liberal extension of credit on the part of Southern bankers to the growers of cotton. In addition to this, the immediate needs of the growers must be provided for. To meet these and at the same time to meet the costs of gathering the crop and preparing it for market, it is essential that facilities should be accorded, which will enable the producers to obtain about six cents per pound, basis middling, on their product. That such advances would be safe is hardly worthy of debate; and that paper secured by the pledge of cotton on that basis would be a desirable investment, cannot be gainsaid. Were the South to sell 70 per cent. of its product at a fair and reasonable price (and that is all it should expect, with the conditions what they are), and were it then to hold back until next season the remaining 30 per cent., obtaining advances thereon as just outlined, it would be in a position not only to discharge its current obligations, but also to provide funds with which to prepare for next year's farming operations.

It is obvious that until the cotton exchanges

re-open and hedges are available no proper protection is offered nor no inducement given the cotton buyer or spinner to buy quantities of cotton beyond what is sufficient to cover actual sales or actual needs; and, until the exchanges are re-opened, buying must necessarily be indifferently active.

I do not believe the South has a full appreciation of the immense benefit the Aldrich-Vreeland Act gives to it. It is estimated that \$174,000,000 of emergency currency is thus made available. Assuming that \$150,000,000 will be taken out, it will be noted that full facilities are given for the holding of 5,000,000 bales of cotton at \$30 per bale, against currency alone, but the benefit does not stop there. You cannot force people to carry in their pockets more currency than their needs require, and such surplus currency will naturally gravitate to the national and state banks throughout the sections in which it is circulating. The national bank note in the vault of a national bank is of no considerable benefit in the extension of credit, but it is an entirely different matter in the vault of a state bank, for there it may be counted as a part of such bank's legal reserve, and therefore becomes a basis for the extension of credit, which would not be less than \$4 for \$1. Assuming that \$50,000,000 of this currency will go into the state banks, which, in view of



THE BREAD LINE.
It May Come to This if the War Keeps Up.
—N. Y. Telegram.

the large number of such institutions in the South, is not unreasonable to expect, the issue of this emergency currency really gives the South a credit extension capacity of not less than \$300,000,000, an amount sufficient in itself to care for all its possible needs, even under the conditions which now prevail.

* * *

**Harding Takes a
Hopeful View.**

W. P. G. Harding, the Birmingham banker and a member of the Federal Reserve Board, undoubtedly understands the cotton situation as well as anybody in the country. In a talk before the National Association of Manufacturers he expressed a cheerful view:

It is argued that cotton crop, added to that in other countries, is 5,000,000 bales greater than the world's needs, and this is causing much apprehension in the South.

Every year a certain proportion comes in early and seeks the market at any level, commonly called "distressed cotton." This is the cotton now being sold at 7½ cents to 8 cents, and at these figures much cotton will be withheld from the market for months.

It is true there is a great indebtedness which can be liquidated only by sale of cotton, but in view of increased cost of production in recent years, present prices would be in many cases inadequate for discharge of these obligations, so that even if the producer, being unable to pay his indebtedness, should turn cotton over to his creditor, many creditors would be in position to hold.

I predict that as the season progresses there will be a steadily increasing demand for



"GUESS I'LL SEE AMERICA FIRST."
—Philadelphia Record.

cotton goods, with corresponding demand for cotton, and a marked increase in demand for export.

While present conditions continue, demand from Germany, Austria, Belgium and France will be greatly curtailed, but there should be a good demand from Great Britain, Spain, Italy and Russia, which can obtain supplies independently of routings through the Baltic sea. Ship room is now available, prompt action by Congress has enabled our government to provide marine insurance, the Bank of England is again discounting bills, and practically all obstacles to exports to foreign countries except Germany and Austria-Hungary have been removed.

The increase in domestic consumption must prove an important element. A low price will permit many new uses of cotton. For example, the Corn Products Company announces that it will substitute cotton for jute bagging, using 17,000 bales.

* * *

**Copper Dividends
Passed or Cut.**

IN view of the wholly abnormal conditions, most of the big copper companies have passed or reduced their dividends. The *Engineering and Mining Journal* thus reviews the copper position:

Among the foreign consumers, England and Italy, especially the former, want copper. France, apparently, wants very little. Germany, on the other hand, is evidently in great need of copper, and willing to pay a high price for all she can get. Unfortunately, sellers cannot get any to her.

The practical closure of the Dutch market, the risk of seizure at sea of copper going to any quarter, the high rates of insurance, the wild fluctuations in the rate of exchange, and the difficulty of arranging credits for the payment for the copper bought, all contribute to the complication of the export business. The London and Hamburg metal exchanges remain closed, on the latter there was complete liquidation by order of the German Government, and their opportunities for speculative equalization of commercial transactions no longer exist.

If there was an open market, with active competition, forced sales, etc., the price of copper would probably go down sharply. Nobody wants to see this, neither the producer, nor the manufacturer—consumer, nor the banks. The interruption to business on August 1, suspended payments, either by virtue of the moratoria or otherwise, for copper sold abroad and the stocks piling up on this side resulted in a great accumulation carried. The banks have viewed copper as collateral in the same light that they have viewed as collateral the securities listed on the stock exchanges. Everybody is hoping that things can be held about as they are.

The Railroads Try Again

What Do You and I Pay the Railroads?

CLIFFORD THORNE, ex-Governor Stubbs and others have figured out that since the receipts of the railroads are \$3,000,000,000 a year, and there are 20,000,000 families in the United States, each family is paying, directly and indirectly, \$150 a year for transportation, or about 25 per cent. of the average income. Logan McPherson, in a recent article, has a good deal of fun with this estimate:

Let us see where some other easy examples of the same kind land us. The farmers collect from the people of the United States an average of \$157.43 per family; the owners of the mines and quarries, \$46.09; the manufacturers, for manufacturing, \$409.11; the insurance companies, \$37.46, etc.

The average family apparently is insolvent, even if no account be taken of its rent, taxes, gas and electric light, purchases of milk, eggs, vegetables, berries, and fruit from other than regular farmers; of amounts paid for odd jobs of construction and repair, of telephone and telegraph service, nor of indulgence in lectures, concerts, plays, grand opera, baseball, movies, and the various kinds of sport. If all these be included, the average family spends over \$1,000, although its average income is no more than \$600.

Even in the common schools the teachers point out to their pupils that the effort of every man today is interwoven with the effort of all other men. Those who work in the fields, in the mills, in the mines, on the railroads, in the offices, and in the banks are contributing each to the support of the other. It is not alone a question of what each takes from the other; quite as important is it a question of what each renders to the other of the benefit that each derives from the other.

It is clear that the quotient obtained by dividing the total receipts of the railways of the United States by the total number of families cannot be considered as representing that portion of its income of which the average family is dispossessed because of the service rendered by the railroads.

Mr. McPherson then proceeds to figure the problem in a more scientific way, based on the average budget of 2,567 families, as recorded by the Department of Labor. The average expenditure of each family was \$768.54, comprising \$326.90 for food, \$32.23 for fuel, etc.

He estimates the cost of transporting the various articles thus consumed and arrives at the conclusion that:

Of the annual expenditures of the typical family in the United States a minimum perhaps of \$20 and a maximum not exceeding \$40 is incurred for the payment of transportation included in the prices of the articles purchased for family use and consumption. Automobiles, horses and carriages, pianos, phonographs, and many other things that carry high freight charges are not bought by the average family.

* * *

The Roads Must Have Relief.

THE revenue of the Eastern roads was 21 per cent. less for the year ended June, 1914, than for the preceding year. Comparing the years 1911 and 1914—both years of business dullness—we find that net earnings of 15 leading companies increased 3 per cent. and taxes 29 per cent. The cost of maintenance of way per mile of track has doubled in the last 15 years, and cost of equipment has trebled. A standard passenger coach now costs \$12,000 against \$8,000 then; standard freight locomotive \$25,000 against \$15,000, and so on.

On top of such troubles as these has come the European war. The roads would have had to retrench severely without the war—now they are absolutely “up against it.” The Interstate Commerce Commission has taken up the question of rate increases for renewed consideration, and it is hard to see how they can again be refused.

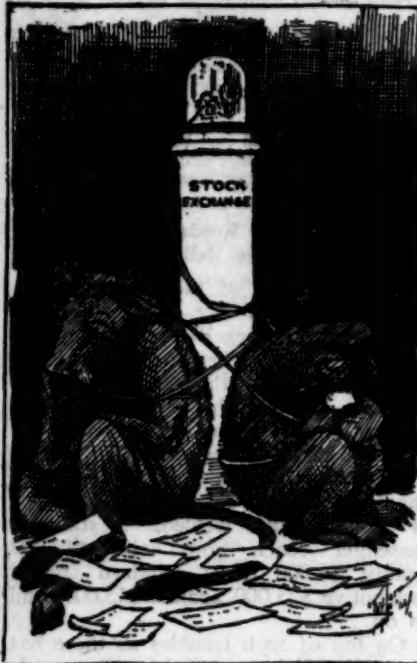
In the meantime the country at large is beginning to understand the railroad situation better. The following is from the *St. Louis Republic*:

The railway officials tell us that the roads are not in position to handle our traffic. The business of the country is outgrowing them, and they cannot get capital to finance them.

What that means is very simple. Three years ago a St. Louis man had \$130 to invest. He put it into two shares of railroad stock at \$65. This stock was paying 4 per cent. This gave him \$8, which was more than 6 per cent. But a year ago the stock stopped paying any dividends. He has \$130 in bank to-

day. But he will not put it into railroad stock. If the \$8 a year were still coming in regularly he would buy two more shares of that same stock.

Multiply that by millions, and you have the whole financial difficulty of the railroads. Why did those dividends stop? Two floods, two drouths, rising prices for railway supplies, new wage agreements and the installation of expensive safety equipment tell the



HIBERNATING.

—Los Angeles Times.

tale. As a matter of fact, rates were not high enough to stand the ordinary risks of the transportation business—storm, drouth and business change.

The problem of railroad finance is just the problem of the man with the \$130.

We Missourians ought to listen to the case for the railroads, whether anybody else does or not. This imperial state needs a vast additional mileage in order to develop its resources.

The biggest problem in the development of Missouri is the problem of making it pay the Missouri citizen with \$130 to put it into a Missouri railroad.

The Roads and the Stock Exchange.

THIS question of higher rates is closely connected with the re-opening of the Exchange and with general financial and business prosperity, as clearly brought out by J. S. Bache & Co.:

As long as the Stock Exchange of a country is closed capital issues are held up and the whole country feels the damaging effect.

Because the Exchange is closed and securities cannot be sold, cities, counties and states have been forced to drop improvements and thousands of manufacturers have reduced their production and cut their payrolls.

The barrier to re-opening the Exchange is the menace of a great mass of foreign sales threatening to engulf it, and this situation is aggravated because a very large part of American securities is discredited by the disastrous situation of the railroads. If the railroads of the country were making liberal earnings our securities would be the most attractive in the world, because they would be the highly profitable issues of the only great country in the world at peace. Holders abroad then, would keep back hundreds, and perhaps thousands, of millions of these securities, because they would be eager to hold them, believing in their stability and liability to advance. On this new basis these securities would be the last things they would part with, as they would be far safer than the securities of any other country or than money in hand with Europe at war.

To produce such a situation seems necessary to the re-opening of the Exchange. The re-opening is necessary to bring about industrial activity and prosperity.

How then can the situation be produced? The power is absolutely in the hands of the Interstate Commerce Commission. They have restricted the earning powers of the railroads since 1910, until today the roads, largely by reason of insufficient rates, are, many of them, in the hands of receivers, others are facing bankruptcy, and only a few of them are making a successful showing.

The railroads have not been making money for a long time. They have been compelled to default within the last few months on obligations equal to half the national debt. Their income has decreased in one year \$120,000,000 and no relief is in sight.

There is only one way to save the situation, and this is by a liberal increase in rates.



What Will Stop the War

And Some Comments on Standard Stocks

By RICHARD D. WYCKOFF

IMAGINE, if you can, two armies, consisting of five million men on each side.

The line of battle waves back and forth over the contested ground, but the antagonists are so evenly matched that neither side gains any advantage during a period of six months.

By that time, let us say, modern weapons have reduced both sides to fifty per cent. of their original strength, so that there are but two and a half million men on both sides.

Then further stretch your imagination and picture the remaining five million annihilating each other until there are but two contestants—one on each side.

And suppose one of these survivors was to suddenly find himself bereft of financial support—without food or ammunition: The other would win, of course.

He would not gain the victory through superior fighting ability, but because the nation back of his opponent had fallen into a state of financial exhaustion.

This shows why, in the last analysis, war is a test not only of military and naval power, but of cash and credit resources. The nation or confederation which can supply the last round of ammunition and the last day's rations is in the strongest position.

Great Britain says, "We will win with the last hundred million pounds," and it may be so, but anticipated possession of that last hundred million is not necessarily a question of present resources. It depends entirely on the fortunes of war, as we will prove.

First, it must be conceded that each nation will be obliged to finance its own requirements. America has announced herself as out of the whole ugly mess. She will sell goods to, and buy securities—if compelled—from the warring nations, but she will not loan them money.

In the last war between great nations,

Russia borrowed from France, while Japan met her expenses out of funds raised in England and America. The Balkan War was financed by Paris and Berlin. But in the present war both the great banking nations of Europe have their hands full with their own vast necessities, and are unable to lend a dollar outside.

We may regard Germany and Austria on the one side, and France, Russia and England on the other, as two great *financial* units, consisting respectively of two and three members.

At the outbreak of the vast conflict the raising of war loans was a comparatively easy matter. Prompt appropriation of a billion by England, one and a third by Germany and sundry others by their allies brought this preliminary scattering of gold up to a round four billions.

Four billion dollars—an amount equal to one quarter the already accumulated debt of the nations involved; rivaling the entire cost of any war in the world's history!

The budget of these five great countries allowed less than two billions to meet the total expense of running the five governments for this "Year of Our Lord" nineteen fourteen. Yet if the Armageddon is to last twelve months, fourteen additional billions must follow the first four. That such a burden is beyond the power of Europe to raise or to pay interest on is already becoming apparent.

To understand this we must go back to the ante bellum period: A year ago Paris found itself loaded with Balkan obligations acquired on pawnbroker's terms, unsalable, doubtful of payment. Lying snugly alongside were sundry promises-to-pay of Mexican and Brazilian authorship. Along came her own necessity for a trifling \$200,000,000, and France found herself totally unable to

float the loan. The capital wasn't to be had. So the government was obliged to postpone the offering.

Where were the funds? Hidden in the ground—some of them; but for every loanable dollar there were fifteen dollars' worth of bonds waiting to be absorbed. All this to defray the cost of wars past or pending, and no one knew it better than the thrifty French investor; for in 1870 French Rentes fell in six months from 73 to 50, and with war threatening there was no hurry about investing.

But to come back to recent months, when France found herself unable to borrow a couple of hundred millions: Drastic measures were adopted. The government shut off all loans to other countries and by means of some strenuous underwriting operations succeeded in borrowing a part of the funds, but not until many months had been allowed for fiscal recuperation.

It is easy for governments to say: "We hereby appropriate," but raising the cash is quite another question. How can France raise billions now if she financially exhausted herself raising two hundred millions before the war began? Victor or vanquished, it does not seem possible that France can continue to stand the expense of such enormous operations for more than a few months.

Germany also has been resorting to expedients, although she claims to have already provided the funds for a twelve months' war.

Power to provide the sinews of war fluctuates according to the degree of success attained in the field of battle. This is shown in the diagram herewith.

To illustrate this point: take the experience of France in the Franco-Prussian war: The first loan in August, 1870, was on a five per cent. basis. On Octo-

ber 25, with the Prussians driving the French into Paris, a \$50,000,000 loan was placed in London on a seven per cent. basis, and these bonds finally sold down to 60, at which they netted ten per cent.

On the other hand, the first Prussian loan—a five per cent. obligation—was floated at 95 in November and was three times oversubscribed.

For this reason more than ordinary significance will attach to the outcome of the first great battles which are now being fought while October is still young. The winning side will find its borrowing ability—its credit—greatly enhanced, and the losing side will suffer in more than like proportion.

Its
credit
will
go
down
like
this.

The raising of cash depends, therefore, not only on resources, but on credit.

Nor is the financial weakness confined to Germany and France. Russia has no money. She has largely depended upon France for support. Now she will have to do her own foraging for cash.

If the Boer War—an insignificant affair—drove England to New York for capital, what will happen now, particularly if a German raid should shake the foundations of the Bank of England?

Taking the deadly war as a whole, we can easily see that its underpinnings are none too sound. On neither side is there a chain of strong links.

Let any one of these be broken, in a military or financial sense, and the end of the war is in sight.

In my opinion the present financial

Assuming the
credit of the
contestants

to be equal at
the start, that of the victor enlarges thus:

While the credit of the defeated
nation shrinks thus:

How the credit of warring nations is altered by the results.

aspect of the world's greatest war points to its conclusion within a very few months.

The Resumption of Trading.

It is reasonable therefore to calculate that before the winter is ended the fighting will stop, and the Stock Exchange will open. From this remote point let us date our expectations and if the opening comes along in November or December, so much the better.

Sir George Paish intimates that the London Stock Exchange will open in November and that the English banks will help to protect our market. The flooding of our market is an unlikely contingency, in his opinion.

Meanwhile, things are happening. Exports are beginning to show remarkable increases. The Interstate Commerce Commission will, unless all its members are deaf and blind to the situation, grant a liberal rate increase before this magazine is in the hands of its readers. The banking deficit at the present rate should melt into a surplus. The knife of public demand has already begun to open the market oyster.

Therefore this is the time when we should comb over the list of stocks in the light of recent events and judge thereby whether or not previous estimates have been in error and how further developments have altered their respective status,

Railroad Stocks

IN our September number we discussed the railroad stocks principally because the industrial outlook was too clouded for intelligent comprehension. Since that time nothing has occurred which is of such dominating importance as the pending Rate Hearing and this will, without doubt, prove a highly beneficial factor. I am told that the hearing is to be rather a cut-and-dried affair; that a majority of the Interstate Commerce Commission has already tentatively agreed to grant this increase and that the hearings begun on the 19th will occupy a very short time. The increase, if granted, should prove one of the greatest bull arguments we have had in years.

Meanwhile the roads have been cutting down expenses to meet falling revenues, so that generally speaking they are not suffering to the same extent as in the early part of the year.

New York Central.

The New York State Public Service Commission has formally approved of the consolidation of New York Central, Lake Shore and other roads, into one corporation, and a committee has been appointed in Ohio to appraise the value of Lake Shore stock. There is no reason why this deal should not go through, and when accomplished, it will bear very important results to New York Central stockholders. For some years past Lake Shore has been earning from 25 to 33%

per annum, and its surplus over the 18% dividends paid has run from \$3,500,000 to \$7,500,000.

Applied to N. Y. Central's \$225,000,000 stock outstanding, and it equals in a bad year about 1½%; in a good year 3%. The consolidation should prove a life-saver for New York Central's dividend.

Southern Railway.

This company has reduced its preferred dividend to a 4% basis and paid it in scrip—a negotiable 4% interest bearing certificate. Stockholders therefore lose one-fifth of their income. This is a shrewd way of paying a dividend and keeping the money, and it works to the advantage of both the road and the stockholder; for, it is a form of borrowing from the stockholder money which will be spent for his benefit and eventually come back to him.

New Haven.

Charles S. Mellen admits that some time ago he grew so nervous over the outlook for this road that he sold out his stock, and having done so was surprised to find that he had sold more than he owned. Mr. Mellen says, "I haven't bought it back yet. I have been so nervous since I haven't been able to buy it back."

We are not nearly so surprised as was Mr. Mellen.

Some Industrials Not Adversely Affected

IN our September issue, page 418, we mentioned a number of stocks in this class—mining, mail order, telephone, chain stores, equipment, public utilities and industrials.

In no case has there been a more striking example of strength—even actual gain—under drastically bad conditions, than in the reports coming to hand from the mail order and chain store companies.

Sears-Roebuck.

August sales increased 4.93%, while September increased 16.35 over the previous year. Back in August, when most businesses were beginning to slow down, this company was finding difficulty in securing all the satisfactory help it required. It was then way behind in its orders. The war brought a great demand for groceries and other goods sold and manufactured by this great mail order concern. It must be a great satisfaction to Sears-Roebuck stockholders to realize that this company gets its money in advance, and that practically all of its sales are confined within the borders of the United States. At the present rate sales for 1914 will run well over \$100,000,000, and as each dollar's worth sold means a dime profit, the net earnings on the common stock should approach 25%. Undivided profits should, at the end of the year, amount to over \$60 per share.

United Cigar Stores

This company has declared the regular quarterly dividend of 1½%. September is proving a better month than August and sales for the early part of October indicate that this will be the best October in the company's history. There are reasons back of an improvement when most people are economizing. One is found in the continual opening of new stores and agencies, the latter arrangement being made without any increase in overhead charges to United Cigar Stores. Every thousand agencies means \$500,000 increase in net profits.

F. W. Woolworth

Sales for August increased 1.52% and for September over 6%. For nine months the increase was \$2,873,533, or at the rate of over \$3,800,000 increase for the year.

S. S. Kresge

This common stock is a 6% issue. The company has 106 stores in operation, being a recent increase of 5. An additional 5 stores will be opened during the current year. This will give it less than one-sixth the number of outlets controlled by the big Woolworth Company, but Kresge carries only about one-tenth as much capitalization as Woolworth. Earnings for the 7 months ending with July showed the tremendous increase of nearly 30% over the same period in 1913. For July alone the increase was 22%.

If the 30% increase is continued throughout the year, this company will earn nearly three times its present 6% dividend—this in a bad year. Remember that these chain store companies do not issue bonds nor load themselves up with contingent charges in order to finance additions to their chains. All this is done out of surplus earnings. On the face of things it looks as though Kresge is making more rapid strides than Woolworth, at least so far as concerns the gain in percentage earned.

National Biscuit

Sales during past summer broke all previous records, but the jump in the price of wheat may result in a smaller margin of profit. While the company is protected by contracts for flour during the next several months, a much longer war would force an advance in prices all around. With the margin of profit retained, however, the National Biscuit Co. can look forward to very handsome earnings as this company's most prosperous years are those of business depression. At such times people get down to a cracker and milk diet, as was clearly proven in the depression of 1903-4.

American Woolen

is reported to be very favorably affected by the demand for war materials and the shutting off of foreign manufactures in this line. The preferred stock is quoted several points above the closing price of July 30, owing to the fact that woolen mills in this country are swamped with orders for blankets, sweaters, and other woolen products.

General Electric and Westinghouse should be helped by the elimination of Germany as the chief competitor of America in the world's electrical trade. American manufacturers are estimating that \$100,000,000 worth of electrical orders which formerly went to Germany and other European countries will be thrown in our direction, and as the two

above companies are our largest and practically control their field, earnings may be expected to expand. This, of course, is provided that American business does not fall off too rapidly.

Leather Companies

are feeling the stimulus of a foreign demand for shoes and harness.

Is Steel Common a Purchase?

IN our January, 1913, number we printed an article by Byron W. Holt, Chairman of the Tariff Reform Committee of the Reform Club, showing that the Underwood Bill meant a loss of from \$30,000,000 to \$35,000,000 to the U. S. Steel Corporation.

In October of that year the same author revised his previous estimates to \$40,000,000 a year, and stated that the net profits of this giant corporation should not average more than \$80,000,000 a year for the next five years.

Mr. Holt was correct. The corporation did lose \$40,000,000 a year through the Underwood Bill and it has lost a further revenue as a result of the war.

Now a study of Steel Corporation statistics makes the five-year prediction look rather too bearish in the light of the facts, but one must remember that Mr. Holt is the arch-bear on Steel. Early in 1914 he published elsewhere his reasons why its profits should not run over \$80,000,000 a year. These reasons were, in brief:

1. Past profits—averaging about \$12 a ton—have depended largely upon tariff duties. With present duties, profits will probably average less than \$7 a ton. Prices cannot be advanced much while European steel conditions remain as bad as they now are.

2. Even without foreign competition exorbitant profits are passing. Domestic competition has increased much and prices cannot well be maintained in future.

3. Increased wages, pensions, welfare work, etc., have added \$30,000,000 to \$40,000,000 a year to expenses.

4. The abolition of tap-line and other forms of railroad rebates may cost the Steel corporation from \$5,000,000 to \$10,000,000 a year.

5. Millions will be lost by the forced reduction of freight rates on ore carried on the corporation's roads.

6. Railroads, the biggest consumers of steel, are hard up and will not purchase freely this year and may not do so for several years.

7. The cancellation of the Hill ore lease has weakened the corporation's monopoly of ore supplies.

8. Trust suits and new trust legislation will cost money if they do not otherwise lessen earnings.

9. Because of recent new bond issues fixed charges are greater than ever before.

10. During the last three years expenditures for new construction have been less than half of what they used to be and what experts consider necessary to keep up the relative efficiency of the corporation's plants.

While many of Mr. Holt's reasons are wholly or partly true, we believe we can show that the conclusions derived therefrom are erroneous.

First, Mr. Holt says that past profits, averaging about \$12 a ton, have depended largely upon tariff duty. No one can deny this fact. In 1902 the Steel Corporation turned out about 8,200,000 tons of finished steel products for sale, with a profit of \$16.25 per ton.

High water mark in the production was in 1912, viz.: 12,500,000 tons, an increase of 50 per cent. in 10 years, or an average increase of 5 per cent. per annum. Thus within five years from 1912 it is reasonable to expect that the output of finished steel products will aggregate 15,600,000 tons.

A profit of \$7 a ton would yield \$109,200,000, and the theoretical date—1917—is well within Mr. Holt's five-year period. This allows no improve-

ment in the margin of profit; no reduction in wages or other savings meanwhile and only a normal increase in the demand.

But there are other factors which enter into the proposition, the first of which is this: Steel prices having come down, consumption should be greatly stimulated. Many markets heretofore closed to this product will now be opened. Ways are being found to utilize steel instead of wood and other materials formerly employed in a thousand different forms. We may therefore expect to see the consumption of steel increase in larger ratio than during the past five years.

The second important consideration is that profits in the steel business which formerly ranged from \$13 to \$16 per ton have been cut in half, taking Mr. Holt's estimate. A large margin of profit naturally bred competition. The Steel Corporation's percentage of this country's steel production in 1901, was 66.2 per cent. At that time its capacity in ingots was a little over 9,000,000 tons. Notwithstanding the fact that capacity has more than doubled, the Steel Corporation's share has shrunk to around 53 per cent. This proves that competition has increased at a rapid rate, being fostered by high prices and large profits for the manufacturers.

Now these conditions are reversed. Profits have been reduced so that the majority of independents are making no money and are operating at a lower rate of production than the Steel Corporation. For while the corporation may realize \$7 a ton this profit includes railway and steamship, coke, cement and other income. Independents probably do not realize over \$3 or \$4 a ton, and many of them will be bankrupted before the present depression is over.

Under these conditions the Steel Corporation is in a stronger position than it was at the time of its organization. Authorities in the trade agree that future dividends for the common stockholders depend upon volume of output. How well U. S. Steel has prepared for an enormous increase in the country's demand for steel products and the faith of its management in the future of the industry is proven by its steady preparation for enlarged business.

It is whispered that the Steel Corporation is today in a position to turn out 18,000,000 tons of finished steel per annum, which, at Mr. Holt's estimate of \$7 per ton, would yield a net profit of \$126,000,000, or \$21,000,000 in excess of the amount required to pay depreciation, sinking funds, and 5 per cent. dividend on the common stock.

In other words, U. S. Steel is equipped to earn 9 per cent. for the common stockholders. We do not say that it will earn such a percentage in 1915, but it should do so within a few years. So while it is true that the time of exorbitant profits per ton has passed, the period of large profits, based on enormous output and small margin of profit, is yet to come.

There are two ways of making money in any business, and one is by cutting down expenses. In 1913 the Steel Corporation paid out \$207,000,000 in wages and salaries. The average per man increased from \$717 per year in 1902 to \$905 in 1913. A reduction of 5 per cent. in the 1913 pay roll would save \$10,360,000 or over 2 per cent. for the common stockholders. A reduction of 10 per cent. in wages would equal 4 per cent. on the common. Remember, it was not so long ago that the corporation voluntarily increased wages \$12,000,000 per annum, hence it can be easily seen how a cut of \$20,000,000 might be made, should business continue depressed.

An authority informs me that the Steel Corporation has extracted the best ore from the Great Northern Ore lands and will save about \$10,000,000 a year.

But the cancellation of the ore lease has not weakened the position of the corporation as regards raw material, for it has steadily acquired new properties and now holds, exclusive of its ore lease, more tonnage than at the time of organization, after having mined a good fraction of a billion tons.

Steel is essentially a product which is bound up with the life and development of the American people. Anyone who believes that the population of this country will stand still at its present figure, should certainly not buy Steel common.

In this connection it is interesting to note the remarks of Charles M. Schwab in an address before the Commercial Club of Providence in January, 1910:

As Schwab Views the Future of the Steel Trade.

"I doubt if many of you have any conception of the rapidity of growth of this industry. It has been well recognized during many years that steel and its allied interests are a good barometer of general business conditions and of the prosperity of the country. If that be true, and I have no reason to doubt it—indeed, I believe it—then the growth, the remarkable growth and industrial development of this country during the past twenty-five years—is going to be duplicated in the next twenty-five years, and is another evidence of the greatness which this country is bound to attain in the industrial development of the world.

"I started in the steel business in an humble capacity in 1880, just thirty years ago. It will surprise you when I tell you that, in that year the whole United States did not manufacture or consume a million tons of pig iron or steel. In 1890 it had grown to five and one-half or six million tons of steel; and we felt that the height of our prosperity had been reached.

In the year 1900, it had grown to twelve and a half million tons of steel, and it was doubted whether that figure would ever be equaled again. In the year 1908 the industry had grown to twenty-five and a half million tons of steel. During this year (1910) if the best predictions come true, we have every reason to believe that the United States will manufacture and consume thirty million tons of steel.

"Now, what is the future of steel going to be? If steel has gone by leaps and bounds from 1880 up to the present time, from one to thirty million tons, the natural question is: What is the future going to hold out for us? I will give you some statistics; not dryly, but perhaps in an interesting way.

"Mr. Carnegie visited my house the day before Christmas. We were talking about steel products of days gone by and I reminded him of a letter that I wrote him in 1887. At that time, as engineer of the Edgar Thompson Steel Works, I had designed a new rolling mill which I was very anxious to try and was very enthusiastic about. With all the enthusiasm of

youth, I wrote and told him, if he would give us money to build this mill, I would guarantee that it would make a thousand tons of rails every day. I well remember his reply, which I preserved, and in which he says, 'I gladly agree to the expenditure of the money which you require to build this mill. There is one thing that I won't have, and I want you to promise me that you will never tell anybody that this firm of ours has been foolish enough to think that this country will ever require a thousand tons of rails a day.'

"That was in 1887 and 1888. Now in 1910 normal production of rails in this country is between fifteen and seventeen thousand tons daily. I want to tell you one thing more with reference to the rail business that is interesting. This country, with the rails now in use, with the very heavy traffic that passes over our railroads, and with the high speed of the trains that go over our rails, is *wearing out*, notwithstanding the improved quality of the rails, between three and four million tons of rails every year. It requires that many rails every year to replace the rails that are worn out by the railroads, to say nothing of the extensions for the future.

"It happened to fall to my lot as a mill worker and mill manager, to roll about the first steel beams for buildings ever rolled in this country. This occurred along about 1886. The business promised little at that time. We did not feel that it was going to have a great future. Today, between four and five million tons of steel are used annually for buildings. The steel car industry was not started until the year 1892, yet it now consumes annually two and a half million tons of steel.

"The steel wire industry, and the steel tin plate industry, both comparatively new, each consumes between two and a half and three and a half million tons of steel annually, and so we can say: 'Go where you will, do what you may, you are on every hand surrounded by some of the products of steel; and the future of the business is that it will go on developing to a far greater extent.'

In 1904 Steel common sold at 8 $\frac{1}{2}$. At that time the company was earning about 4 per cent. on the preferred and nothing on the common. There were strong intimations that the preferred dividend would be reduced to 4 per cent. The preferred sold down to 49 $\frac{3}{4}$ —not far from the figures recently quoted for the common.

The late J. P. Morgan, to quote his own words, had his "back against the wall" and was buying all the Steel common he could carry. This fact became so well known both here and abroad that Mr. Morgan was informed by high officials of the Bank of England that his

firm's paper was not as acceptable as heretofore, but his tremendous faith in the future of the steel industry was such that he staked on Steel nearly everything he possessed, at a time when no one else wanted it.

Again in 1907 Mr. Morgan placed unlimited orders to buy Steel at 22. It is stated that he acquired 500,000 shares, making this the biggest campaign of his career. Mr. Morgan anticipated what Mr. Schwab has pointed out—the development of the business to far greater proportions than outsiders believed possible.

Taking this view and with all due re-

spect to Mr. Holt's opinion, I believe that U. S. Steel common becomes increasingly cheap the more it declines below 50 and that a price of 40 or below would afford the third great speculative opportunity in the history of this corporation's common stock.

Amalgamated vs. Chino.

SINCE its dividend meeting in October Amalgamated must be considered a 2 per cent. stock—at least while the war lasts. The closing price of Amalgamated was 49½. Unofficial transactions have been reported at over ten points decline from this figure.

Amalgamated must be regarded as having reduced its dividend temporarily, however. Upon resumption of exports to Europe, its dividend rate should be restored to 6 per cent., so there is no reason why it should sell down to a point as low as the regular 2 per cent. dividend payer having no increase in prospect.

I should rather buy Chino below 30 than Amalgamated below 40. Chino pays 2 per cent. per annum and has the advantage of very low cost of production. If you had the choice of two manufacturing plants, one of which could turn out a certain line of goods at ten cents per pound, and the other at eight cents per pound, you would buy the lowest cost producer.

Chino is a manufacturing proposition. It has a certain known deposit of ore which it can turn into finished copper at the rate of six thousand tons of ore per day for forty-three years. On a 17-cent copper market with its present output Chino can earn \$7.50 per share per annum. Amalgamated cannot do as well in proportion to its present price. If the price of copper should decline below 11 cents, Amalgamated would probably shut down, while Chino would go on making money and paying some sort of a dividend.

Vein vs. Phorphyry Mines.

A recent tabulation summarizes the per pound cost of producing copper in the principal groups of mines. These are as follows:

Lake Superior 10.3 cents.
Electrolytic-Vein Mines 10.2 cents.
Porphyry Mines 9.2 cents.

Most of the deferred and passed dividends have occurred in stocks other than porphyries, proving that the low cost producers are in the best position, any way you look at it.

The Long Shots.

A Scotchman once attended a race track for the first time, and picked out a hundred to one shot named the "Highlander." Sandy got two dollars down. The "Highlander" came home a winner. Sandy was the first man at the bookmaker's stand. He pocketed his winnings, and gazed reproachfully at the bookie. "Mon," he said, "how long has this been going on and me not knowin' it?"

Hundred to one shots in the stock market are rare, but a hundred per cent. on your money is pretty good interest, and it is in these times that careful selections among the low-priced stocks often lead to such satisfactory results. Old fashioned ideas must be revised, however. In 1907 there were many low-priced railroads and industrials which could have been picked up to yield from 100 to 200 per cent. on the investment (or speculation rather). Now most of those old time bargains are in a receiver's hands or hanging by their finger tips, and there is no use going into them unless you are willing to stand an assessment and speculate on the outcome.

Stocks of bankrupt companies are usually the best purchase after one or two assessments have been paid. Then they often sell at or below the amount of the assessment, which is equal to nothing—or less—for the old stock.

Some people have a strong leaning towards low-priced stocks which they think are cheap simply because the price is marked in small figures. Usually these are the dearest stocks on the list, unless you choose wisely.

At present there are a number of meritorious little things selling below 10—some of them \$5 par, to be sure, but when you can get 100 shares of something for less than \$1,000, it seems like big value for the money.

United Profit Sharing

This stock was recently offered to shareholders of United Cigar Stores at a subscription price of \$1 per share. In

the first half of October it sold up to 8, which is one point over the closing of July 30.

These Whelan propositions are all money makers.

Riker & Hegeman

This company's earnings continue to increase because it is not only adding more stores to its chain, but is manufacturing more goods of its own. Cash dividends are being withheld for the development of the business. We have

every confirmation of previously expressed opinions on this stock.

Braden Copper

This is a little proposition which should give a very good account of itself in the next copper boom. Braden has turned out to be a much larger mine than the public was first led to believe. In times like this it pays to pick up sound stocks in producing companies and Braden is one of the lowest-priced and most attractive in this line.

Breadth of the London Share List



ERY few investors have any conception of the security list of the London Stock Exchange.

The daily list of quotations covers between 9,000 and 10,000 different kinds of stocks and bonds. The monthly list of one large London firm shows 2,500 companies indexed and about 6,000 stocks quoted.

If you pick up any evening newspaper, while the New York Stock Exchange is open, it will be found that the complete listings will hardly fill more than two columns, even when regular newspaper type is used. The total bond listings of the New York Stock Exchange hardly occupy four pages of what might be termed a very small newspaper.

This one comparison—that of mere numbers—is indicative of the world influence of the London Stock Exchange, compared with the New York Exchange.

While the European war is destroying actual and economic values, we are attempting to take advantage of the situation by building up a South American trade and by developing our own industries. This is practical, but our countrymen must not deceive themselves into believing that they can make a world financial center here for many, many years to come. We have better machinery for the actual purchase and sale of securities than London has; our telephone, telegraph, ticker and quotation service are fifty years ahead of the lumbering, awkward methods used by

London. This, however, is our only advantage.

Anyone who believes that New York is about to become the world's great financial power will be enlightened by the following analysis of the London Investment List:

Consols, exchequer bonds, and various foreign government loans, numbering in all twenty-eight varieties. Examples, Transvaal Government, Indian Rupee Paper and Isle of Man debentures.

Corporation and County securities numbering about 188 different kinds. Of these, there may be mentioned Newark-Upon-Trent debenture stock, Corporation of London debentures and Glasgow Corporation Stock.

Public Board Securities, in all about 30 kinds. Among this type are to be found Metropolitan Water Board, Post of London and Swansea Harbor Trust "A."

Colonial Bearer Bonds, about 280 kinds. Manitoba debentures, New Zealand convertibles and Tasmanian Inscribed.

Indian and Colonial Corporation Securities, about 290 in number, such as Cape Town debentures, Bombay Guaranteed and Medicine Hat debentures.

Foreign Countries and Cities list nearly 300 varieties. There are Uruguay 5 per cent., Swedish 3½ per cent. and New York City Corporate Stock.

British Railways, divided into Ordinary, Leased Lines, Debentures,

Guaranteed and Contingent Preference stocks. This list numbers 350 kinds. There are found here such securities as Taff Vale Preference, Great Eastern Rent Charge and Mersey Ordinary.

Indian Railways and Colonial Railways show a trifle over 200 kinds. Examples of these are Canadian Pacific, Rohilkund & Kimaon and Rhodesia 1st mtg. 5 per cent.

American Rails and Bonds to the number of 226 and are made up of our active issues.

Foreign Railways, Bank and Discount Companies show a total slightly over 375 and cover the entire world. Hong Kong & Shanghai stock, Yucatan 5 per cent. and Piraeus, Athens & Pel 4½ per cent. are quoted on the same page.

Breweries and Distilleries take up 310 different companies among which may be mentioned Chicago Breweries, Guinness Son & Co. and Calgary Brewing & Malt Co.

There are listed securities of the following classes, with the number of each

kind: Canals & Docks, 12; Commercial and Industrial, about 1,200 kinds, covering industries in every country on the globe; Financial Land, 140; Gas, 75; Insurance, 67; Iron, Coal & Steel, 186; Nitrate, 29; Oil, 36; Shipping, 73, including African S. S., Lamport & Holt, and Richelieu & Ontario; Tea, Coffee & Rubber, 196; Tramways, 143, such as Brazilian Traction, Auckland Electric and Lisbon Electric; Waterworks, 35; Mining Companies, 63.

In addition to the above total, amounting to about 5,147, there are very many companies with more than one issue to quote which brings the total to nearly 10,000.

To a certain extent, each one of these companies has been examined, before listing its securities. But the London listing has no such thoroughness as that of the New York Stock Exchange. This incomplete list, quoted, should drive away the very patriotic hope entertained by many that New York City can supplant London as the world's financial center.

Getting It Down a la Brandeis

Item: 23,000,000 Pins

An official of the Baltimore & Ohio in a circular in which he points out to the employees the opportunities for economy gives some interesting figures on the cost of stationery and printing. In 1913 these two items cost the road about \$500,000.

The Baltimore & Ohio has 2,000 offices. Last year these offices used 700,000 lead pencils, 1,000,000 pens, 23,000,000 pins, 18,000,000 envelopes 14,000,000 sheets of carbon paper, 23,000,000 second sheets, 11,000,000 rubber bands, 570,000 blotters, 2,500,000 letter fasteners, 2,000,000 file backs, 10,000 sponges, 3,300 rulers, and other office articles in proportion. These supplies alone cost \$60,000.

Where Utilities Increase Rapidly

A comparison of tax reports indicates that Kansas is building interurban lines about twice as fast as any other State. Indiana, which has more interurban mileage than any other State in the Union, has shown a growth of 18.6 per cent. in these facilities in the last five years. Illinois, Missouri and Ohio are building lines faster than Indiana, but none of these is building so fast as Kansas.

There are natural causes for this rapid extension of transit facilities in Kansas. Five years ago there were only five interurban lines in that State. Now there are 16, some of them still in course of construction. The expansion has been due to the awakening of Kansas to the fact that interurban service is an important adjunct of commercial development. Her awakening was not as early as that of other States, but this was due also to natural reasons. Now she finds that she must get abreast of her sister States in this regard in order to maintain her proper rank in the commercial progress of the great Commonwealths of the Middle West.

BOND DEPARTMENT

About Short Term Notes

By ROBERT S. DANA

WHILE I fully concur with the opinion expressed in articles appearing in recent issues of *THE MAGAZINE OF WALL STREET* that bonds at current prices are cheap, recent developments have demonstrated the advantages of temporary investments in short-time notes.

This form of interest-bearing obligations came into prominence a few years ago, during a period of tight money. A number of railroad notes were put out in the belief that within two or three years they could be superseded by long-term bonds at a low rate of interest. The investing public had to be educated into buying them. The lesson was soon learned, and their popularity rapidly increased.

There was a good basis for this popularity, too, for notes of corporations possessing high credit were well regarded from an investment standpoint, and the interest return averaged considerably larger than on the bonds of the same corporation. In the case of companies whose credit rating was not so good, the yield was made sufficiently high to tempt the speculative instinct that is inherent in the makeup of nearly everybody to a greater or less extent.

Short term notes, however, are at best a makeshift form of corporate financing. Strictly speaking, they ought never to be indulged in unless the maker of the note fully intends to pay off the issue at maturity without recourse to new financing. They cost the borrower proportionately more in the first place than

would an issue of long term bonds, as any discount that is to be charged off must necessarily be carried into effect within a short time. These brief periods for which these notes are issued necessitate frequent renewals unless they are refunded with long term bonds, and this imposes additional costs in the form of legal expenses, bankers' commissions and other kindred items.

It sometimes happens that an issue will mature at a very inconvenient time. More than one corporation has been thrown into receivership in recent years primarily owing to its inability to meet its notes at maturity. These corporations might have been able to keep their heads above water if there had been only interest charges to meet. It may be said in passing, however, that unless a corporation's credit has become very seriously impaired, it can usually find a way to refund its short term obligations.

Commercial banks have become very large buyers of notes because such institutions generally dislike to tie up their funds to any extent in long term bonds. They want something that is readily marketable meanwhile in case the money is needed for use in other directions, also something with a fair degree of stability in price. Short term notes of prominent corporations, enjoying a high credit, amply fill the bill in these two particulars.

Mainly because of their shortness of term, these notes are more directly sensitive to conditions which govern the money market than any other form of fixed obligation. When money is tight

and rates for time loans and commercial paper are correspondingly high, these notes decline to a price that offers a very attractive yield on the investment. New York City's recently issued notes were sold to net 6 per cent., although they have since advanced. New York Central's new \$40,000,000 issue of six months' and one year notes is being offered on a 6½ per cent. basis. Other fairly good issues are reported to be obtainable on a basis to yield a return of 7 to 8 per cent. Let money once begin to show signs of easing, however, and these notes will immediately advance in price, while a rise in the general bond market will not get under way until some time afterwards.

It is my opinion, therefore, that short term notes should be purchased now in preference to long term bonds because of their very attractive interest return; because they will show an advance before the bond market commences to move; and because the investor, having taken his profits in the short term notes, will thereby be enabled to mark down the cost of any bonds which he may purchase.

Following is a list of some of the more active short term notes, with a brief description of each, grouped according to their investment value:

Southern Railway.

FIVE per cent notes due February 1, 1916; outstanding \$5,000,000. Five per cent. notes due March 2, 1917; outstanding \$10,000,000. These notes are a direct obligation of the company. The 1916's are unsecured, while the 1917's are secured by deposit of \$16,667,000 par value in the company's development and general mortgage 4 per cent. bonds. Report for the year ending June 30, 1914, showed earnings available for interest on these notes amounting to \$5,106,234 against annual interest requirements of \$750,000, or nearly seven times the necessary sum. Net cash assets totaled \$21,782,703, or over 146 per cent. of the full face value of the issues, while the profit and loss surplus was \$18,676,905, or over 120 per cent. of such value.

While the company is suffering from the demoralized condition of the cotton market, due to the war, its very strong

financial position and demonstrated earning power should afford ample protection to the holders of these notes.

Amalgamated Copper.

FIVE per cent. notes due March 15, 1915; outstanding \$12,500,000. A direct obligation, but unsecured. The company has no funded debt and agrees not to mortgage its property during the life of these notes. Report for the year ending December 31, 1913, showed earnings available for interest on these notes amounting to \$9,496,799, as against interest requirements of \$625,000, or more than fifteen times the necessary sum. Net cash assets totaled \$7,285,362, or nearly 60 per cent. of the full face value of the issue, while the profit and loss surplus was \$23,639,139, or nearly double the amount of the outstanding notes.

The market for copper is greatly depressed on account of the war. Production has practically been cut in half, and the price of the metal has declined to about 11½ cents a pound. Amalgamated has recently reduced its annual dividend rate from 6 per cent. to 2 per cent. Notwithstanding this reduction, Amalgamated should show an earning power of close to \$4,000,000 annually, which would be equivalent to about six times the yearly interest charged its note issue.

Baltimore & Ohio.

FIVE AND A HALF per cent. notes due June 1, 1915; outstanding \$35,000,000. A direct obligation and secured by pledge of \$32,000,000 face value B. & O. Chicago Terminal R. R. First 5's 80,000 shares first preferred, 80,000 shares second preferred, and 90,000 shares common stock of the Reading Co. Report for the year ending June 30, 1914, showed earnings available for interest on these notes approximately \$10,000,000 against interest requirements of \$1,675,000, or about six times the necessary sum. Net cash assets as of June 30, 1913, totaled \$8,103,598, or something less than 25 per cent. of the full face value of the issue, although this year this item should be considerably larger owing to the nearness of the date of the note issue to the close of the fiscal year. In round numbers, profit and loss surplus this year

should about equal the amount of the outstanding notes.

Gross earnings so far during the current fiscal year are not up to last year's mark. It is probable, however, that the management will be able considerably to reduce expenses this year, as the floods which inundated large portions of the Middle West in the Spring of 1913, and cost this company something over \$2,000,000, are not likely to recur.

* * *

Seaboard Air Line

FIVE per cent. notes, due March 1, 1916; outstanding, \$6,000,000. A direct obligation and secured by deposit with the trustee of \$10,000,000, par value, Seaboard Air Line ref. mtge 4s. Report for the year ending June 30, 1914, showed earnings available for interest on these notes amounting to \$3,224,216, as against interest requirements of \$300,000 or nearly eleven times the necessary sum. Net cash assets as of June 30, 1913, totaled \$1,515,560, or about 25 per cent. of the full face value of the issue, while the profit and loss surplus was \$6,402,624, or a little greater than the amount of the notes outstanding.

When the balance sheet as of June 30, 1914, is made public it will probably make a better showing than that of the previous year, as Seaboard Air Line was one of the few railroads in the country to achieve better results in 1914. For the current fiscal year the earnings are a little under those of a year ago.

* * *

General Motors.

SIX per cent. first lien notes, due October 1, 1915; outstanding, \$7,852,000. A direct obligation and secured by a first lien on securities pledged with the trustee, including \$13,300,000 General Motors Co. of Michigan first mortgage notes, which cover, by a first lien, most of the important plants operated by the consolidated companies.

Additionally secured by pledge of \$15,994,003 face value in stocks of subsidiary companies, such stocks being with one or two exceptions the entire outstanding issues. The deed of trust provides that none of the subsidiary companies, a majority of whose stocks are pledged, shall mortgage its prop-

erties or create any indebtedness maturing three months or more from date unless the same be simultaneously acquired by the General Motors Co. and pledged as further security for these notes.

Report for the year ending July 31, 1914, showed earnings available for interest on these notes amounting to \$7,819,968 as against interest requirements of \$471,120, or more than sixteen times the necessary sum.

Net cash assets totaled \$12,164,421, or approximately 160 per cent. of the full face value of the issue, while the profit and loss surplus was \$6,689,428, or about 85 per cent. of the outstanding notes.

While the business of the company, according to latest reports, is running ahead of last year at this time, the management is not building upon any false hopes that the improvement will last. They are fully prepared for a slump and do not propose to be caught with an oversupply of raw materials. With more than \$13,400,000 cash on hand there should be no doubt of the company's ability to take care of these notes when they mature.

* * *

New York City 6% Revenue Bonds and Corporate Stock Notes.

Maturing as follows:

September 1, 1915.....	\$57,000,000
September 1, 1916.....	18,000,000
September 1, 1917.....	25,000,000

Total issue..... \$100,000,000

These three issues are direct obligations of the City of New York and are exempt from the Federal Income Tax. They are legal investments for savings banks in New York State and elsewhere.

* * *

International Harvester Co. of N. J.

FIVE per cent. notes, due February 15, 1915; outstanding, \$15,000,000. A direct obligation but unsecured. Report for the year ending December 31, 1913, showed earnings available for interest on these notes \$8,665,526 after charging off liberal sums to depreciation and reserves. This is equivalent to over eight times the annual interest charges on the issue. Net cash assets

totaled \$24,199,158, or over 160 per cent. of the full face value of the notes, while the profit and loss supplies was \$19,608,798, or more than 125 per cent. of such value.

The business of the American company, of which these notes are an obligation, has not suffered on account of the war nearly as much as that of the Harvester Corporation. The large crops of the season of 1914 should create an active demand for the company's product.

* * *

Brooklyn Rapid Transit.

FIVE per cent. notes, due July 1, 1918.

Outstanding, \$39,699,000. A direct obligation and secured by deposit of an equal face amount of bonds which are a first mortgage on that portion of the new subways under construction in Greater New York that are to be operated by the company.

Further secured by deposit of \$10,000,000 face value in the company's first refunding 4's of 2002. The contract between the city and the company insures

to the latter preferentials that should be sufficient to meet all its interest and sinking fund requirements. Report for the year ending June 30, 1914, showed earnings available for interest on these notes \$5,315,705 against interest requirements of \$1,984,950, or more than two and one-half times the necessary sum. Net cash assets totalled \$18,355,024, or about 46 per cent. of the full face value of the issue, while profit and loss surplus was \$9,732,588, or approximately 25 per cent. of the outstanding notes.

The company has shown a steady increase in earning power for a number of years and enjoys excellent credit. The rapid development of the territory served by its lines, and its favorable operating contract with the city, should well insure its future business and credit as well as the safety of its bonds and notes.

The expression, "net cash assets," as used in the descriptions of the various note issues here given, represents the actual *cash* assets less current liabilities. The inventory values are not considered.

Following are the approximate prices and yields at which the above described notes were obtainable on October 19:

	Price.	Yield.
New York City 6% notes, due Sept., 1916.	100½	5.50%
New York City 6% notes, due Sept., 1917.	101¼	5.30
New York City 6% notes, due Sept., 1918.	102½	4.95
Internat'l Harvester 5% notes, due Feb. 15, 1915.	99½	6.25
Amalgamated Cop. 5% notes, due Mch. 15, 1915.	99¾	6.25
General Motors 6% notes, due Oct., 1915.	99	7.00
Brooklyn Rapid Tran. 5% notes, due July, 1918.	96¼	6.15
Southern Railway 5% notes, due Feb., 1916.	97½	7.00
Southern Railway 5% notes, due March, 1917.	96	7.00
Baltimore & Ohio 4½% notes, due June, 1915.	98½	6.50
Seaboard Air Line 5% notes, due March, 1916.	97¾	7.00

Practical Talks to Investors

X—An Investment Is a Security of Value

By FRED'K LOWNHAUPT

THREE is probably no word in the English language that is used more loosely than this word *investment*.

Your neighbor is wheedled out of a hundred dollars by some smooth talker or flamboyant circular offering mining stock described as an investment. Your friend confidentially tells you that he just put several hundred dollars with a broker and bought fifty shares of X, Y, Z stock selling at seven.

You ask him his grounds for so doing, and he answers that some friend told him "it was going up," so he made the "investment."

You meet a man who has just bought twenty-five shares of Atchison. He also speaks of his investment. A fourth buyer has placed his order for some first mortgage underlying bond of the Pennsylvania railroad. The only way he can think of such a transaction is in the light of an investment.

Here are four different cases, and so far as each may know the definition of that word he believes he has made an investment.

There is something wrong with the popular understanding of that word, or else each of the four would not have regarded himself as an investor.

If the buyers of securities would discriminate more in this matter, they would not be buying ten cent mining stocks that come "well recommended." They would not delude themselves into the idea that they have made an investment.

Of course a good deal is to be said of the effect that the "literature" of securities has on the popular mind. Everybody who has anything in this line to sell naturally wants you to think you are getting an investment, and so designates the thing he is selling.

When you come to realize that in buying a ten cent mining stock or twenty-five shares of X, Y, Z at seven you are virtually gambling, then you will have come to an appreciation of the word investment. The very idea of this may be repugnant, but the fact remains. The most sedate old lady can gamble this way quite as much as the race track bookmaker. The difference is only one of consciousness. He knows what he is doing; she does not.

Let us see if we can find out in a few words just what an investment is. You can readily understand that an investment is certainly not a security where the element of risk is about 75 per cent. You must therefore analyze the security to find out how much risk there is in it.

When you take a reasonable amount of risk you are probably speculating, but only in the sense that the business man speculates in the ordinary conduct of his business. It is obvious that when you are taking a great amount of risk you are gambling.

Therefore, when you are taking a very small amount of risk which you must take in almost any security you are investing. So that the simplest definition of an investment we apparently can get is that it is a *security of sound and proved value*. When a bond or stock gets into this class it is well seasoned; has passed through its growing pains; is matured or ripened. Under those conditions it is likely to pay its dividend or interest right along, and not be subject to great slumps or long periods of low prices.

Therefore, take this as your yardstick: A security that comes nearest to sound and proved value comes nearest to being an investment.

Hints to Investors

SKILLFUL investment is an art, a science and a business. It is an art because skill is required to apply the principles, a science because there are certain principles that must be followed, and a business because so much ordinary common sense must be used when investing.

THERE is no royal road to the learning of investments. It takes years of constant study to become expert in the selection of securities. First you must learn the broad principles and then the details must be acquired. This applies to both bonds and stocks.

THE same amount of income from investments of various kinds does not mean that they are of equal value. There are different degrees in which certain factors work in an investment so that a railroad bond yielding 5 per cent. may be a very different proposition from a municipal or utility bond giving the same amount of return.

WHAT a company is generally counts for more than what kind of a bond or stock it is putting out. Debenture bonds, unsecured obligations of some companies are far better than the first mortgage bonds of others. The name and kind of the bond is only one factor, but not of the greatest importance.

THE mortgage lien that a bond has on a property may be much less than the property is estimated to be worth. But it should be remembered that this means a going concern. When the company is in a poor condition as to business it means that the property is worth a good deal less. Investors should remember this when reading circulars setting forth the value of properties.

Destruction of Capital in War

Why It Is Much Less Than Generally Supposed

By G. C. SELDEN

WE have been hearing a great deal during the last three months about the terrible destruction of capital which must result from the present war; how the whole world must be poorer as a result of the huge losses chronicled daily by the press; how the big issues of bonds and the heavy burden of debt left behind by the war will cripple industry for years to come; and how the world's industrial progress will be set back for perhaps "a generation," in the large language of the newspaper space writer.

A favorite occupation of the statistician is to calculate the daily waste of the war. If in doubt, he adds three extra ciphers. The totals are as imposing as the billions of losses which are always figured out as caused by a fall of ten points in the stock market.

Unfortunately there is much of truth in these calculations, though very little accuracy. War does bring a heavy destruction of capital, which otherwise might be used in building railroads or factories, or in exploiting the hitherto untouched resources of nature. Yet the loss is not nearly so paralyzing as it appears at first glance. It is worth while tracing out some of the reasons why industrial and commercial capital does not suffer from war with anything like the severity that is commonly alleged.

* * *

LET your mind run back over history. The United States was prosperous and trade was active during most of the Civil War and for several years thereafter. The Spanish War created scarcely a ripple on the surface of the most prosperous era our country has ever known. England's war with the Boers was terribly costly, but American trade has rarely been better than it was then. Business on this side of the ocean was almost unscathed by the Franco-Prussian War.

How are we to reconcile these facts with the wholesale destruction, the loss of workers' lives, the withdrawal of able-bodied men from industry, that always occurs in any great war? The problem is interesting.

At the outset we need to have clearly in mind the distinction between wealth and industrial capital. Writers on political economy have a great deal of trouble in defining capital to their own and each other's satisfaction—especially each other's—but the sort of capital we are here interested in is easily enough conceived. It is the capital that is actually being used in business—in the production and distribution of goods.

Manifestly this is a very different thing from wealth. A ten million dollar art gallery is wealth but it has no use at all in business and is not industrial capital. If it burns down business is not in the least affected—until the art gallery is rebuilt. To rebuild it another ten million dollars has to be withdrawn from the world's fund of capital, which might otherwise have found use, let us say, in developing a new mine or constructing a factory. It is the rebuilding of the art gallery that absorbs capital, not the destruction of it.

If the Germans should shell Paris and destroy the Louvre, that would be a terrible and irreparable loss to humanity, but the loss would not hurt business and it would not lessen the world's fund of capital. Some day the French would rebuild the Louvre and that would soak up a lot of capital, but so long as they got along without the Louvre, industrial capital would not be interfered with.

Look at it from another angle. Germany, at the beginning of the war, had millions invested in war machinery of various kinds. This capital had been siphoned out of industrial channels during a period of years—but it ceased to be capital when it became guns, uni-

forms, fortifications, or war stores. All this war machinery could be wiped out in a night without directly hurting business at the moment and without lessening the world's store of industrial capital. It would be the reproduction of the panoply of war that would draw capital away from productive industry.

Even the destruction of a row of workmen's dwellinghouses might not mean an immediate loss of industrial capital. As soon as these workmen could get lodgings elsewhere they would be able to go on with their work. Some time the houses would be rebuilt, but that might not be for several years, until after new capital had had time to accumulate.

* * *

NOT only is much of war's destruction a destruction of wealth, not of capital, but another big slice of the loss takes the form of privation. All over Europe, and to a less extent all over the world, people are now going without the things they have been accustomed to have. In times of peace the men and women of society vie with each other in luxurious expenditures. Now, they are competing in economies. In war, personal waste goes out of fashion.

The yearly increase in the fund of industrial capital is what is left over after the world's living expenses have been paid. If living expenses everywhere are cut down sharply, the saving partly makes up for the waste of capital in war.

It is to be remembered, also, that the wealth of the world is never permanent. Both wealth and capital are constantly being consumed, used up, or destroyed and constantly reproduced. One year's food supply is consumed in the growing of the next year's supply. The machine wears out in a few years and another must take its place.

A large part of the wealth destroyed in war would have been used up in a short time by the people even if peace had continued. If, then, the people are able to go on producing—if the privations and hardships they suffer do not interfere with their working—they will produce more wealth the same in war as in peace.

Of course war does interfere with production, but not to the extent we sometimes imagine. It is stated that ten per

cent. of the population of Germany are in the army. Nevertheless the crops are being garnered, most of the street cars are running, the factories are being operated—though in many cases on reduced time—in fact, to the superficial observer it might appear that the activities of the nation are going on much as before.

The remaining ninety per cent. of the people are doing a part of the work left behind by the ten per cent. The women, children and old men are struggling with the tasks abandoned by the soldiers.

And when the war is over, very little of the actual machinery of production will have been destroyed. There will be poverty, hardship, loss of life and of wealth—but people will go on working. The army will return to the pursuits of peace and production will proceed.

To an extent not often appreciated, both during and after the war the difference is that the people consume less while working. Production does not decrease in anything like the same proportion as personal consumption.

* * *

CAPITAL is "wealth saved for the purpose of producing more wealth." During and after a war the habit of saving becomes wide-spread and to a certain extent compulsory. Moreover, in the case of such a stupendous conflict as that now raging, the whole world gets a shock that generates economy. The United States, Argentina, Norway, are today cutting down expenses and trying to save, sobered and warned by the break-down of civilization.

True enough, this is saving at the spigot and wasting at the bunghole, but there are millions of spigots. It is all felt in its effect on the world's store of capital, even though the savings are a penny at a time. And in many cases the savings are important. You, gentle investor, are probably using last year's automobile although you very much want a new one. You may even be living in a fifty dollar flat when if it hadn't been for the war you had planned to move into one costing a hundred. Women accustomed to pay a thousand dollars for a gown are now buying one for three hundred, and so on.

This habit of saving continues after the war is over. People become cautious. When production is resumed on nearly the usual scale, consumption is less in proportion than before the war. Several years must elapse before the people begin to spend their money with the same gay abandon as before. Hence the balance carried forward to capital is larger than before the war, even though production may not at first equal its former records.

Fifteen million men or so have stopped working and are killing each other, burning things, tearing down, blowing things up. Their work is lost to the world; the cost of supporting them is greater than if they were at home where they ought to be and would be if the rulers of their respective nations had good sense; they are destroying much wealth, and some capital. But on the other side of the ledger we must set down that at least half a billion of population are working harder than usual, consuming less, and saving more; and when the war is over fourteen million soldiers,

perhaps, will also work harder, consume less and save more.

Some of the wealth destroyed will never be restored, hence will never again have to be taken out of industrial capital. Much of it will be restored, but only after the lapse of years, when humanity again feels that it can afford it. The burden of national debt will be increased, but the burden of armaments will probably be reduced. Municipal extravagance, one of the most disquieting features of the last ten years, will without a doubt be greatly checked by the sobering effects of the war.

After all, of course, the balance is on the debit side of the ledger. War involves loss and destruction of industrial capital in various ways, direct and indirect. That capital has to be re-accumulated. But the burden is far from being as heavy as it would seem at first glance. And we can begin to understand why even important wars have not seriously checked the world's prosperity, or have inflicted their injury for the most part on the nations directly involved.

New Factors in the Money Market

How Emergency Currency and Federal Reserve Banks Will Be Likely to Bring Easier Money in Coming Months

By WILLIAM T. CONNORS



N October 20, the total amount of emergency currency outstanding had reached the figure of \$365,000,000, representing an increase of about 47 per cent. in National Bank currency over a year ago.

As net exports of gold from this country since January 1, 1914, including the \$10,000,000 recently sent to Canada under the operations of the \$100,000,000 gold pool, have been only about \$110,000,000, it is evident that we have issued three dollars of emergency currency for every dollar of gold lost.

Moreover, the Treasury is still issuing emergency currency, and in view of Secretary McAdoo's decision to ac-

cept cotton and tobacco warehouse receipts on an equality with bonds as security for currency, it is likely that the remainder of this year will witness a further large increase in the total outstanding. In fact, it would not be surprising if the aggregate was well towards \$500,000,000 before January 1.

Under ordinary circumstances the injection of this tremendous quantity of paper into the circulation would at once be stigmatized as inflation and would operate to drive gold out of the country. The business of the United States requires only a certain amount of money, and if more than this amount is put into circulation, it soon becomes

a drug, piles up in the banks, forces abnormally low money rates and begins to overflow into other countries. But other countries don't want our paper money. Gold is the only kind of money they will take from us. Hence the overflow necessarily takes the form of gold exports.

Present circumstances, however, are emphatically not ordinary. On the contrary, they are the most extraordinary circumstances we have ever had to contend with. And for that reason bankers generally commend the action of the Treasury in issuing this large amount of paper money.

There can be no question of inflation when the money rate is 7 or 8 per cent., with the activity of business only about 70 per cent. of normal. With business in this restricted condition the natural rate for money would be on a basis of $3\frac{3}{4}$ or 4 per cent. for six-months commercial paper. The fact that the rate is now nearly double that figure shows plainly enough that, whatever the cause, there is actually a scarcity of money in spite of the big issue of emergency paper.

The cause is, in fact, plain enough. It is expressed in one word—Fear. And what else could be expected, in the face of the world's greatest war, as yet undecided and possibly only in its early stages?

Under the influence of fear the instinct of the human animal is to grab for his money. We are so far removed from the theater of conflict and the solidity of our national finances is so well assured that hoarding of the actual gold in this country has been mostly confined to the small banks, which have built up their reserves through timidity. But thousands of individuals have kept on hand more cash than usual. When you read that international credit has collapsed over night, that we owe Europe possibly \$300,000,000, that bank reserves are many millions below legal requirements; when you go to your savings bank and find that you can't get your money without giving 60 days' notice—you begin to feel that you may as well hang on to whatever cash comes your way.

This, however, is a temporary condition. In a few weeks or months people find that everything is going on pretty much as before and they get over their fears. The savings banks revoke the 60 days' notice requirement—as they have already done at this writing—and you and I and Tom Jones return to our normal habits in respect to the amounts of cash we keep on hand. Then the additional currency is no longer needed. Money becomes "redundant." Money rates fall to low figures. The spasm is over.

FUTURE OF THE MONEY MARKET.

The money rate, needless to say, has more influence on the prices of securities than any other one factor and has a very important influence on the activity of general business. It is essential, therefore, to form as good an estimate as we can of the future of the money market.

The banks issuing this emergency currency are taxed at the rate of 3 per cent. on it for the first three months and at an increase of one-half of one per cent. each month thereafter until 6 per cent. is reached. They have to put up a 5 per cent. cash deposit on it with the Treasury, but this is counted as a part of their reserves, so that this really costs them nothing.

At present they are loaning money at about 7 per cent. on an average, so that they are making 4 per cent., less some small expenses, on their emergency currency. It will pay them to keep the currency in circulation so long as they can get one-half per cent. more on it than the tax.

If we assume that the average month of issue of emergency money is September, we get approximately the following:

	Per cent. Bank can Tax	loan at
October	3	$3\frac{1}{2}$
November	3	$3\frac{1}{2}$
December	$3\frac{1}{2}$	4
January	4	$4\frac{1}{2}$
February	$4\frac{1}{2}$	5
March	5	$5\frac{1}{2}$
April	$5\frac{1}{2}$	6
May and after.....	6	$6\frac{1}{2}$

If money rates should remain at present figures, there would be a profit for the banks in keeping the currency out permanently; but, of course, that is impossible. It may be granted that there are many complicating features at the present time, but money rates always have come down after such a period of stringency as we are now experiencing and it cannot be doubted that they will come down this time.

A continued excess of imports requiring us to pay our foreign trade balance in gold, might delay the fall of our money rate; but such a continued excess is improbable in view of our big wheat crop and the gradual growth of foreign orders which are coming to our manufacturers.

If Europe dumps a lot more stocks on this market when the Stock Exchange reopens, this likewise would compel us to pay in gold and would tend to hold up our money rates. This might happen, of course. Doubtless sales of stocks from abroad, in greater or less quantity, will be a feature for some time to come; but, on the other hand, our excess of exports may be sufficient to take care of the payments for these stocks with only moderate gold exports.

FEDERAL RESERVE BANKS.

In the meantime another new factor is about to enter into the situation. The Federal Reserve Banks are now being organized and the probability is that by January 1, or perhaps earlier, the new system will be in full operation.

Thus by the time money rates can fall to the point where the emergency currency becomes unprofitable to the banks and will begin to be retired, the banks will be working under the new law, which, according to the estimate of Representative Bulkley, member of the House Banking and Currency Committee, will leave the Central Reserve Banks a free balance of over \$70,000,000 cash as compared with the present law, after all readjustments are completed which are called for during the first year of the operation of the new system.

Since reserve requirements for Cen-

tral Reserve Banks will be only 18 per cent., against 25 per cent. now, this free balance of \$70,000,000 would mean a possible loan expansion of about \$320,000,000.

But this is not all. Under the new law bank notes will be issued on commercial paper as security. No one has had the temerity to predict in figures the results of this provision of the law, but it is obvious that under it a great expansion of both currency and credit is possible—especially in view of the fact that State banks can use this currency in their reserves.

Under these conditions it may be set down as pretty clear that the emergency currency will have survived its usefulness early in the new year. After the crop-moving period is over it is probable that this emergency money will flow into the banks in large volume. Country banks, in making remittances to their city correspondents, will naturally forward emergency currency in preference to other forms of money, so that it will accumulate in the Central Reserve Banks in the form of deposits.

Such deposits will increase the reserve requirements of the city banks and in that way temporarily decrease their loaning capacity, but as the emergency money is gradually retired this disadvantage will disappear.

PROSPECT FOR EASY MONEY.

Complex as this situation is, it is hard to imagine conditions which would prevent us from reaching a plane of fairly easy money early in 1915, if not sooner. The war is the unknown factor. If it is fought to the Kilkenny-cat stage, the effect on our money market will be, as a matter of course, much greater than if an early peace is concluded.

Yet, with possibly \$500,000,000 emergency currency for use this fall, with a possible loan expansion of \$320,000,000 in the first year of the new Federal Reserve system, and with further large issues of currency based on commercial paper as security, we could export a great deal of gold, if it should become necessary through European sales of stocks on this side, and still

have left enough well-secured money to prevent stringent rates of interest. And if the growth of our exports balances the sales of stocks by Europe we shall have easy money.

Heretofore our antiquated banking system has compelled us to keep on hand an unnecessarily huge quantity

of gold. Fortunately the organization of the new system comes in time to enable us to send some of this gold abroad, if necessary, without prejudice to the soundness of our bank position. In the meantime, the emergency currency is paving the way toward an easy transition to the new methods.

Stock Prices in the War of 1870

How the Last Great European War Affected Securities

THE parallel between the present European War and the Franco-German War of 1870 and 1871 is very much closer than between any other wars of the last hundred years. The locality of the present war is similar to that of the war of 1870, the war opened with almost precisely the same moves on the part of Germany and the financial and commercial effects were in many ways the same.

On the other hand, the present war embraces Russia, Austria and England, in addition to France and Germany, and the discouraging effect of the war has been correspondingly wider and more demoralizing. The London Stock Exchange did not close in 1870, although a considerable panic followed the outbreak of the war, and neutral nations in general were far less affected then than now.

The similarity of conditions is nevertheless close enough to make the behavior of the prices of securities at that time of decided interest to investors now. In a recent issue the London *Economist* exhumes from its ancient files figures to show the general trend of prices during 1870 and 1871:

"War was declared by France in July, and it brought about changes of a most momentous character. The first half of the year 1870 was a period of rising prices of securities; money was plentiful and its value low. The declaration of war, however, changed all

this, causing a severe financial panic, which resulted in an absorption of money sufficient to double the Bank Rate in a few weeks. Numerous failures occurred, and there was a marked depreciation in the value of Stock Exchange securities. Home Rails were hard hit, suffering even more than foreign stocks, the falls being in proportion to the amount of speculation outstanding. Thus, North-Eastern Railway stock fell nearly 20 per cent. in a few days, while United States bonds fell 10 per cent., and French 3 per cent. declined about 6 per cent. in July.

"The panic of 1870 was short lived, for although the crisis did not arrive until the middle of July, a rally set in before the end of August. Prices began quickly to recover lost ground despite the fact that war was still raging. Investors displayed a quiet disposition to await the termination of the political eruption. There was an absence of speculation, which tended to keep security values steady, and this calmness on the part of investors undoubtedly had much to do with the rise in values that followed the July panic.

"In those days the Stock Exchange dealt in comparatively little else besides Consols, a few foreign loans, and a handful of Home Railway stocks."

The prompt rally of prices was to a considerable extent due to the important victories of the German army, which within sixty days from the be-

ginning of the war pointed plainly to a short war and an early conclusion of peace. At the end of 1870 prices were in some cases higher than at the close of 1869. The following table is typical of the general movements of the bonds of neutral nations:

	Consols.	Egyptian 7s.	Spanish 3s.	Italian 5s.	
1870.					
July 1	92½	82½	30	57%	Crisis began.
" 12	91½	77½	25½	51½	Crisis acute.
" 18	89½	71	23½	45	War declared.
" 19	89	67½	23½	45	Slump continued.
Aug 15	91½	74½	26½	47½	Battle before Metz.
Se't. 3	92½	76½	27½	52	After fall of Sedan.
" 5	91½	74	26½	48½	French Republic proclaimed.
Oct. 3	92½	75½	27½	53½	Fall of Strasbourg.
" 28	92½	78	30½	55½	Fall of Metz.
Dec. 20	91½	77½	31½	55½	German loan issue.
1871.					
Jan. 30	92½	75	30½	54½	Capitulation of Paris.
M'r. 20	92	75½	30½	53½	Civil war in Paris.
May 11	93½	78½	32½	56½	Peace signed.
J'ne 30	92½	80½	31½	57½	
Dec. 31	92½	85½	33½	68½	

The movements of English rails were in general similar to those of bonds. The feature, however, was the big advance in 1871. The *Economist*

selects two leading stocks and gives half-yearly prices in the table herewith:

	L. and N.-W.	Eastern
	Ordinary	Deferred.
1870. July 1	129½	41½
1871. Jan. 3	129½	40
June 30	135	56½
Dec. 31	158½	83½
1872. June 30	151	79½
Dec. 31	153½	90½
1873. June 30	147	89½
Dec. 31	154½	93½

"The movement in Home Railway stocks was upward, as a whole, during 1870, the average improvement during the year amounting to something like 15 per cent. The same trend became more emphatic in 1871, when prices in general showed an advance of, roughly speaking, 30 per cent. This was due largely to the fact that there was a strong revival in the cotton districts and a steadiness in nearly all other branches of industry, while British trade with foreign and colonial countries went ahead."

The bull market dated practically from the close of the war. The Treaty of Frankfort was signed in May, 1871, and during the remainder of that year the advance was almost continuous.

It does not do to place too much weight on historical parallels. There are too many varying factors in any economic problem to permit close comparisons with past conditions. But it is certainly cheering to observe that England, the principal neutral country in 1870—just as the United States is the principal neutral nation now—suffered only a temporary check from the war and that her principal stocks bounded rapidly upward as soon as peace was concluded.

Nothing New Under the Sun

The bond man has discovered this curio; a \$100 West Chester Railroad 5% first mortgage bond issued in 1879 of a total issue of \$75,000, covering a mileage of 5.22 miles. All of which shows that the flotation of "baby" bonds is not entirely a modern industry.

The Investment Digest

THE items below are condensed from leading financial and investment publications and from official sources. Neither "The Magazine of Wall Street" nor the authorities quoted guarantee the information but it is from sources considered trustworthy. We endeavor to present in a few words the essential facts in regard to each company. For additional earnings, see also "Bargain Indicator" and "Monthly Net Earnings."

American Linseed.—OIL MARKET is very quiet owing to curtailment by consumers and fear that Argentina's flax crop which usually goes to Europe will be thrown on the American market. Oil men consider the outlook poor.

American Locomotive.—CASH ON HAND is large at \$8,411,000. This is on deposit or invested in municipal bonds. Co. would benefit quickly from resumption of buying by railroads, but present business is small. Conflicting interests among directors have been reconciled and general confidence is felt in S. T. Schoonmaker, the new chairman.

American Malt.—PREFERRED DIVIDEND REDUCED to \$1 against \$2 six mos. ago. Net earnings of Malting (the sub-Co.) for yr. ended Aug. 31, were \$330,000 against \$403,000 in 1913.

American Public Utilities.—DIVIDEND PASSED on common stock owing to general depression. Regular pfd. div. of 1½% declared. Gross earnings yr. ended June 30 last increased 8.1% over 1913; operating expenses increased 13.6%; net earnings from sub-Cos. increased 1.5%.

American Shipbuilding.—ANNUAL REPORT shows net earnings \$712,000 against \$849,000 in 1913; maintenance \$432,000 against \$243,000; balance for divs. \$279,000 against \$606,000. Pres. Smith said: "Owing to business depression, the past yr. has been unsatisfactory, hence directors discontinued divs. During yr. liabilities have been reduced over \$2,000,000 and rigid economies are being exercised."

American Steel Foundries.—PRES. LAMONT says: "Foundry business is poor. Prosperity with us is contingent upon prosperity of railroads. They are not buying because they cannot get money at fair rate of interest. This is due to Interstate and State Commissions, whose attitude has frightened investors. The war is partly responsible for the setback." Shops at Franklin, Pa., and Grant City, Ill., will shut down shortly and some of the seven remaining plants will close later unless business improves.

American Sugar.—DROP IN PRICES of raw sugars, due to speculative liquidation, has reduced prospective profits of Co. Nearly \$16,000,000 beet sugar stocks have been sold for, which Co. received about \$10,000,000 cash, which is applied to capital account. Co. plans gradual retirement from beet sugar field.

American Telephone & Telegraph.—NEW FINANCING will be unnecessary for two years, as Co. has about \$50,000,000 cash assets and construction expenditures have been reduced owing to war uncertainties. Co.'s earning power is still large. Additions to plant and real estate by the Bell system, in the U. S., in last 14 yrs. have been \$646,915,000. During last 11 yrs. \$480,000,000 have been charged against current revenues for maintenance and reconstruction. Cost of reproducing Bell properties would exceed their book value by more than \$61,000,000. In past 10 yrs. Co.'s gross income has increased 177% and its net income 234%. For 9 mos. ended Sept. 30, total revenues were \$34,602,000 against \$34,200,000 in same mos. of 1913.

American Writing Paper.—GOOD BUSINESS is resulting from the war, which has increased demand for paper of all kinds. Since Sept. 1 sales have been 30% over same period of last yr. Prices have been advanced 5% to 10% owing to higher cost of raw materials. Demand for higher grades of paper is strong.

Assets Realization.—RECEIVER REPORTS that obligations have been reduced about \$3,000,000 since Dec. 11, when the Committee agreement began, but that unsecured creditors may not be paid in full. Deficit of \$400,000 is expected to follow current operations. It has been found necessary to re-invest \$250,000 in order to maintain properties and further advances will be necessary from time to time.

Atchison.—NET EARNINGS, fiscal yr. ended June 30, were smallest since 1910, and balance for stock—7.4% against 8.6% in 1913—was lowest in many yrs. Operating expenses consumed 66.1% of gross, compared with 66.4% in 1913. Gross decreased 4.9%; total maintenance decreased 8.1%; total ex-

(Continued on page 42.)

Bargain Indicator Showing Comparative Earnings of Important Stocks

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, whatever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount.

Surplus available for dividends, or earnings

on par for fiscal year ending on any date during the year, or on par for fiscal year ending on

Div. Earnings* the above note and references thereto. Then if in doubt write us.

Railroads	Present yield div. on pres. rate, price, 1908.	Price last five years, July 30.					
		1909.	1910.	1911.	1912.	1913.	1914.
Seaboard Air Line yld.	0	2.6	3.4	7.6	3.7	7.0	47
Kansas City So. com.	0	1.1	16.2	19.2	2.7	2.9	14.9
Union Pacific com.	8	0	4.4	6.4	10.0	5.1	11.3
Cheapeake & Ohio	0	0	—2.2	4.1	5.6	6.8	11.2
Brooklyn Rapid Transit.	6	7.6	4.1	2.2	5.6	8.3	11.0
Southern Railway com.	0	0	19.2	15.4	23.0	13.2	2% ¹
Lehigh Valley.	10	8.2	19.2	19.2	16.5	12.5	12.5
Tol. St. L. & West. Rfd.	0	0	2.0	1.0	2.0	—0.5	0.6
Reading.	8	5.7	12.7	13.2	16.1	13.8	22.7
Canadian Pacific.	10	6.4	10.6	8.6	16.0	17.3	19.6
Norfolk & Western.	6	7.1	5.6	9.4	12.0	12.8	12.0
Atlantic Coast Line.	7	6.1	7.1	8.7	11.6	8.9	9.9
Del. Lack. & Western.	20	5.1	40.7	5.8	35.4	31.8	32.0
Chicago, Milwaukee, St. Paul & Western.	6	7.7	12.1	8.9	9.3	8.2	9.2
Northern Pacific.	0	0	12.8	10.7	9.0	8.7	9.5
Twin City Rapid Transit.	6	8.3	9.9	10.9	11.0	11.0	11.4
Great Northern.	6	7.1	7.1	8.3	8.3	10.3	8.8
Southern Pacific.	6	7.1	7.4	10.2	13.0	9.6	9.8
Chicago, Milwaukee, St. Paul & Milwaukee, St. Louis & San Fran.	5.5	5.9	2.5	14.3	17.3	14.2	15.6
Louisville & Nashville.	5.5	7.5	8.4	8.4	7.4	8.7	9.5
Miss. St. P. & S. M. com.	7	6.7	4.7	10.1	10.3	11.1	11.4
Illinois Central.	5	4.7	6.2	6.3	7.0	8.4	10.2
Buffalo Rock & Pits.	5	4.7	9.0	11.0	9.3	8.6	8.9
Pennsylvania.	6	5.6	11.2	11.4	9.7	9.1	7.0
Chicago & Northwest.	7	8.3	8.1	7.1	7.0	7.1	9.6
Baltimore & Ohio.	6	8.3	8.1	7.1	7.0	7.2	4.4
N. Y. Ont. & Western.	0	0	2.6	2.3	2.3	0.8	2.1
Delaware & Hudson.	9	6.4	12.4	12.2	12.5	13.0	14.5
Erie 1st pfid.	0	—3.4	6.1	1.1	1.1	7.0	1.4
N. Y. Central.	5	6.3	5.1	7.7	5.7	5.9	3.0*
Mo., Kansas & Texas.	0	0	—0.4	0.7	0.8	—0.4	0.2*
Wisconsin Central.	0	0	—0.6	0.6	2.5	—4.3	0.3
Missouri Pacific.	0	0	3.7	3.3	—6.3	—2.4	1.9
Pitts., C. & St. L. com.	0	0	7.2	9.8	6.1	7.0	10.9
St. Louis Southwestern pfid.	0	0	1.6	4.3	4.3	2.0	0.5*
N. Y., New Haven & Hart.	0	5.4	7.4	10.3	6.1	9.4	1.7
Colorado & Southern com.	0	4.8	4.9	7.3	5.2	5.0	51
Lake Erie & Western pfid.	0	—20	0.8	—0.2	—0.1	2.8	—0.3*
Western Maryland pfid.	0	0	—2.7	—2.4	8.6	6.0	—4.1
Miss. & St. Louis pfid.	0	0	1.9	1.5	—11.9	7.7	—4.3*

Earnings* on the following are shown before deduction of interest payable on Western Pacific bonds: Denver & Rio Grande pfid. 0 0 7.7 6.6 8.3 4.7 2.0 2.8 9 31.1 Financial position very weak. Readjustment probable.

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, whatever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount.

DO NOT BUY these stocks until you have read the above note and references thereto. Then if in doubt write us.

Ex-rights 30 3/4% July 20, 1914.
Must apply \$17,000,000 earnings to property by 1917.
Subways should enlarge earnings when done.
Preferred div. 2% in scrip.
1914 earnings include Temple Iron Co. div.
Receivership threatened. Default on col. tr. bonds.
Includes add'n's and bet't'n's—¹ to 4.6% in 1914.
Dividends from R. R. earnings—¹ to 7% land sales 3%.
Controlled by Penn. R. R. Gov't may force sale.
Controls L. & N. by stock ownership.

Large land holdings and equity in C. B. & Q.
Gov't, contested ownership of Cent. Pac.
Parings include Pigot Sound extension.
Controlled by At. Coast Line.

Div. reduced from 7% to 5% in 1913.
Div. recently reduced from 6%.

Pfd. and com. share alike above 7%.
B. & Q. holdings recently distributed by Un. Pac.
Div. recently passed.
Gov't, suit pending.
Controlled by C. B. & Q. (Hill management).
Controlled by At. Coast Line.
New extension done. Better results expected.

Div. recently passed.
Consolidation with Lake Shore pending.
Pfd. div. passed. Credit poor.
Leased to M. St. P. & S. M. (Can. Pac. system).
Readjustment pending. Assessment probable.
Pennia. system.

Industrials

	Present yield Div. on pres. price, 1908.	Div. on pres. price, 1908.	Surplus available for dividends or earnings on par for fiscal year ending on				Price July 30. on pres. price.	Earnings July 30. on pres. price.
			1909.	1910.	1911.	1912.		
General Motors com.	0	6.2	1.4	5.7	15.7	17.3	38.8	37.5
Bethlehem Steel pfd.	5	8.8	5.8	13.4	13.1	24.4	61	42.5
Pressed Steel Car com.	0	9.0	9.4	2.1	4.0	0.8	34	21.9
Colo. Fuel & Iron com.	0	0	0.1	6.1	—	4.6	28	21.8
Am. Steel Foundries.	2	7.1	9.6	4.0	10.5	5.7	11.1	21.1
United States Steel com.	2	0	0	2.1	1.1	1.6	1.9	21.1
Natn. Enam. & Stamp com.	0	2.1	1.5	2.2	2.3	3.1	2.3	9
Duillier Securities.	6	1.3	1.3	4.0	6.8	6.3	1.2	20.9
U. S. Rubber com.	12	12.0	6.5	6.8	7.8	8.7	4.5	19.3
Tennessee Corp. (par \$25).	12	0	0	6.3	2.1	6.1	2.9	19.3
Central Leather com.	2	0	0	7.8	17.8	14.8	14.5	18.6
Inter. Harvester N. J. com.	0	0	0	3.7	7.1	10.4	15.2	17.7
Va.-Car. Chemical com.	0	4	6.1	....	....	7.6	12.3	16.2
Westinghouse Elec. com.	4	6.1	....	....	....	6.2	8.2	10.8
Republic Iron & Steel pfd.	0	0	0	9.8	8.1	11.7	8.9	12.4
Am. Agric. Chem. com.	4	8.0	6.1	7.5	10.4	9.0	9.3	11.4
Am. Malt Corp. pfd.	2	6.2	6.2	10.6	6.2	3.0	5.2	5.2
Am. S. Realty & Imp.	0	0	0	7.7	9.7	9.4	10.1	10.2
Am. S. S. Refining com.	4	7.7	7.0	7.0	7.7	9.1	7.5	8.2
Inter. Paper pfd.	2	6.5	7.3	2.7	4.3	5.4	7.4	10.4
Corn Products pfd.	5	8.6	8.5	8.2	6.9	7.0	6.8	7.5
Am. Car & Foundry com.	2	4.6	21.8	2.6	6.6	2.0	4.1	5.5
Sears-Roebuck com.	7	4.1	4.5	18.4	20.5	17.0	19.3	21.2
Pitcairn Corp.	5	6.1	1.7	3.0	7.2	5.1	10.1	12.4
Wabash (P. W.) com.	6	6.7	....	....	....	....	....	12.3
China Copper (par \$1).	40	9.4	0.4	4.2	7.0	7.3	10.9	12.1
Am. Beet Sugar com.	7	8.8	6.6	6.7	6.8	7.1	14.2	19
Am. American Can pfd.	0	0	4.3	5.8	4.5	2.6	3.0	12.1
Am. Linseed pfd.	0	0	4.1	2.4	3.9	3.7	4.2	12.0
Am. Alumunited Copper.	2	6.5	21.3	20.5	34.6	39.7	51.5	44
U. S. Copper (par \$10).	30	8.8	8.8	1.9	6.6	2.0	1.1	11.8
Bay. Conn. Corp. (par \$10).	6	0	0	1.0	1.0	1.0	0.8	10.9
Shea-Shield com.	0	7.8	4.8	4.8	6.0	6.2	6.7	10.5
Scottish American Biscuit com.	0	0	0	10.4	6.5	1.2	1.4	9.8
Am. Cotton Oil com.	0	0	0	10.2	10.2	1.4	1.2	12.0
General Electric com.	0	0	0	10.2	10.2	1.4	1.2	9.8
Am. Linedex.	0	0	0	10.2	10.2	1.4	1.2	9.8
Am. Alumunited Copper.	2	4.1	4.1	6.2	5.4	5.3	5.8	11.8
U. S. Copper (par \$10).	30	6.5	21.3	20.5	34.6	39.7	51.5	44
Bay. Conn. Corp. (par \$10).	6	0	0	1.0	1.0	1.0	0.8	10.9
Pacific Mills.	0	0	0	1.0	1.0	1.0	0.8	10.5
General Chemical com.	0	4.6	4.5	14.4	15.6	15.5	11.5	12.8
People Gas Light & Cos.	0	0	0	10.4	6.0	6.2	6.7	10.5
Pullman Steel Spring com.	5.2	5.2	5.2	10.9	10.6	9.8	10.2	10.8
Railway Steel Spring com.	0	0	0	10.3	6.0	0.3	1.3	13.4
Pacific Coast com.	0	5.7	5.7	5.3	8.8	7.2	6.2	6.5
Am. Locomotive com.	0	11.1	11.1	3.1	1.3	0.5	1.3	20
Consolidated Gas (N. Y.).	5.2	4.9	6.7	7.4	7.6	7.5	7.2	11.6
Western Union.	7.4	1.7	5.8	3.7	5.4	3.2	3.2	15.4
Am. Hide & Leather pfd.	0	0	0	11.2	3.6	0.8	3.6	11.7
Am. Sugar Refining com.	0	7.0	7.0	7.5	5.2	2.8	2.7	10.0
Am. Woolen com.	0	0	0	5.4	1.2	4.4	4.2	12
U. S. Cast Iron Pipe pfd.	0	0	0	5.4	1.2	4.4	4.2	12

*Estimated.

	Div. on pres. price, 1908.	Div. on pres. price, 1908.	Surplus available for dividends or earnings on par for fiscal year ending on				Price July 30. on pres. price.	Earnings July 30. on pres. price.
			1909.	1910.	1911.	1912.		
General Motors com.	0	6.2	1.4	5.7	13.4	13.1	24.4	63.6
Bethlehem Steel pfd.	5	8.8	5.8	2.1	4.0	0.8	34	42.5
Pressed Steel Car com.	0	9.0	9.4	0.1	6.1	—	4.6	21.9
Colo. Fuel & Iron com.	0	0	0	6.1	—	1.5	6.1	21.9
Am. Steel Foundries.	2	7.1	9.6	4.0	10.5	5.7	11.1	28
United States Steel com.	2	0	0	2.1	1.1	1.6	1.9	21.3
Natn. Enam. & Stamp com.	0	2.1	1.5	2.2	2.3	3.1	2.3	21.1
Duillier Securities.	6	1.3	1.3	4.0	6.8	6.3	1.2	20.9
U. S. Rubber com.	12	12.0	6.5	6.8	7.8	8.7	4.5	19.3
Tennessee Corp. (par \$25).	12	0	0	6.3	2.1	6.1	2.9	19.3
Central Leather com.	2	0	0	7.8	17.8	14.8	14.5	18.6
Inter. Harvester N. J. com.	0	0	0	3.7	7.1	10.4	15.2	17.7
Va.-Car. Chemical com.	0	4	6.1	....	....	7.6	12.3	16.2
Westinghouse Elec. com.	4	6.1	....	....	....	6.2	8.2	10.8
Republic Iron & Steel pfd.	0	0	0	9.8	8.1	11.7	8.9	12.4
Am. Agric. Chem. com.	4	8.0	6.1	7.5	10.4	9.0	9.3	11.4
Am. Malt Corp. pfd.	2	6.2	6.2	10.6	6.2	3.0	5.2	5.2
Am. S. S. Realty & Imp.	0	0	0	7.7	9.2	9.4	10.1	10.4
Am. S. S. Refining com.	4	7.7	7.0	7.0	7.7	9.4	10.1	10.4
Inter. Paper pfd.	2	6.5	7.3	2.7	4.3	5.4	7.4	10.4
Corn Products pfd.	5	8.6	8.5	8.2	6.9	7.0	6.8	7.5
Am. Car & Foundry com.	2	4.6	21.8	2.6	6.6	2.0	4.1	5.5
Sears-Roebuck com.	7	4.1	4.5	18.4	20.5	17.0	19.3	21.2
Pitcairn Corp.	5	6.1	1.7	3.0	7.2	5.1	10.1	12.4
Wabash (P. W.) com.	6	6.7	....	....	....	8.9	11.0	90
China Copper (par \$1).	40	9.4	0.4	4.2	7.0	7.3	10.9	12.2
Am. Beet Sugar com.	7	8.8	6.6	6.7	6.8	7.1	14.2	19
Am. American Can pfd.	0	0	0	4.3	5.8	4.5	2.6	12.1
Am. Linseed pfd.	0	0	0	4.1	2.4	3.9	3.0	12.0
Am. Alumunited Copper.	2	4.1	4.1	6.2	5.4	3.9	5.8	11.8
U. S. Copper (par \$10).	30	6.5	21.3	20.5	34.6	39.7	51.5	44
Bay. Conn. Corp. (par \$10).	6	0	0	1.0	1.0	1.0	0.8	10.9
Pacific Mills.	0	0	0	1.0	1.0	1.0	0.8	10.5
General Chemical com.	0	4.6	4.5	14.4	15.6	15.5	11.5	12.8
People Gas Light & Cos.	0	0	0	10.4	6.5	1.2	1.4	10.5
Pullman Steel Spring com.	5.2	5.2	5.2	10.9	10.6	9.8	10.2	10.8
Railway Steel Spring com.	0	0	0	10.3	6.0	0.3	1.3	13.4
Pacific Coast com.	5.7	5.7	5.7	5.3	8.8	7.2	6.2	6.5
Am. Locomotive com.	11.1	11.1	3.1	1.3	0.5	0.5	1.3	20
Consolidated Gas (N. Y.).	5.2	4.9	6.7	7.4	7.6	7.5	7.2	11.6
Western Union.	7.4	1.7	5.8	3.7	5.4	3.2	3.2	15.4
Am. Hide & Leather pfd.	0	0	0	11.2	3.6	0.8	3.6	11.7
Am. Sugar Refining com.	0	7.0	7.0	7.5	5.2	2.8	2.7	10.0
Am. Woolen com.	0	0	0	5.4	1.2	4.4	4.2	12
U. S. Cast Iron Pipe pfd.	0	0	0	5.4	1.2	4.4	4.2	12

Notes.

1911 earnings 10 mos. only.

Declared 36% quarterly for 1914.

In arrears 12 mos.

Govt. suit pending.

First 6 mo. 1914 earned 0.8%.

Own Southern Cotton Oil Co.

Westinghouse Co.

Has written off large amt. of investment in foreign

Westinghouse Co.

Div. postponed.

Div. in arrears.

(Continued from page 39.)

penses decreased 5.3%. Taxes have increased 188% in 10 yrs., altho investment increased less than 40% and net increased less than 45%.

Atlantic, Gulf & West Indies.—NEW STEAMER of Mallory line "Medina" is in use. She is very fast for a coastwise boat. This boat and another of the same class have been financed out of current funds with exception of \$250,000 borrowed from treasury. No money was borrowed from outside.

Baltimore & Ohio.—NEW BOND ISSUE of not to exceed \$600,000,000 will be voted on by stockholders, Nov. 16. Comparison with blanket bond issues of New York Central and St. Paul is as follows (in millions):

B. & O. N. Y. C. St. Paul

Existing mtges. and notes	\$369	\$404	\$331
Limit of debt.....	630	675	698
Margin for Improv. 261	271	367	

First 3 mos. of new fiscal yr. have shown sharp decrease from last yr. in both gross and net.

Bangor & Aroostook.—EXTENSION is proposed to the Allegash River in order to reach important lumber sections. About 2% has been earned on stock this yr. and directors raised div. from 3% to 4%. Earnings in 1913 were zero, 1912 2%, 1911 5%, 1910 11%. This road runs through a new country, with virgin soil and great natural wealth.

Bethlehem Steel.—GOOD EARNINGS for 1st half of 1914, about 15% on preferred after deducting estimated depreciation. In working capital Co. is ahead of last Dec. and cash supply is largest in 4 yrs. This is the only large steel Co. to show surplus 1st half of 1914. Co. is receiving considerable business from Europe and from U. S. Government, in armor plate.

Boston & Albany.—ANNUAL REPORT shows a decrease of \$122,000 in gross, resulting in deficit of \$783,000 after charges, of which part is payable by New Haven, leaving final deficit of \$688,000.

Boston & Maine.—ANNUAL REPORT shows deficit of \$2,044,000 under fixed charges against surplus of \$50,000 in 1913. Gross decreased \$1,099,000; net decreased \$1,328,000 for the yr. Government valuation began Mar. 4. Cost to Co. will be between \$250,000 and \$300,000. Probably completed in 1916. Revenue train load increased this yr. 7.8% and maintenance of way and structures increased \$1,121,000 or 20.7%. Additions and betterments were \$4,701,000; 1913, \$7,993,000; 1912, \$3,350,000; 1911, \$10,998,000.

Brooklyn Rapid Transit.—EARNINGS are well maintained and there is no reason to suppose that balance for div. will suffer materially from business depression, or as result of subway contract with N. Y. City. Co. will probably continue to earn from 7% to 9% on stock yrly. In last 10 yrs. gross

has increased 57%, net 79%, and balance for divs. nearly 400%. High record for stock was 9.2% in 1913 and 8.7% was earned in 1914. This decline was due to issue of \$25,754,000 new stock to provide for bonds conversion.

California Petroleum.—NET EARNINGS before depreciation, for 8 mos. ended Aug. 31, were \$1,450,000 against \$1,423,000 for same period of prev. yr.

Chesapeake & Ohio.—ANNUAL REPORT shows cost of conducting transportation consumed 38% of gross in 1914 against 37% in 1913. Ratio of operating expenses and taxes to gross was 73.6% against the same in previous yr. Net increase in funded debt for yr. \$13,560,000. Revenue per freight train mile increased 2.4%; tonnage per locomotive increased 4.7%; tonnage per loaded car increased 3.7%; passengers carried 1 mile, increase 9.2%; passenger revenue per train mile increased 3.9%.

Chicago & Eastern Illinois.—RECEIVER'S REPORT, yr. ended June 30, total income \$3,035,000 against \$3,803,000 in 1913, leaving deficit of \$1,525,000 against \$941,000 in 1913.

Chicago, Indianapolis & Louisville.—ANNUAL REPORT yr. ended June 30, showed 2.9% on pfd. against 4% for pfd. and 3.2% for common prev. yr.

Chicago, Milwaukee & St. Paul.—LAST FISCAL YR. SHOWED decrease of 2.4% in gross revenues; decrease of 4.5% in gross income; increase of 9.1% in fixed charges, and decrease of 14.6% in net corporate income. Traffic offered did not fully occupy the increased facilities which had been made ready. However, ratio of transportation expenses to gross revenues was reduced from 37.3% in 1913 to 37% in 1914, through better operations.

Chicago & Northwestern.—GROSS EARNINGS in 1914 yr. increased \$641,000 over 1913, the previous record business yr. This was due to increased passenger receipts, as freight fell off \$735,000. Cost of conducting transportation was slightly less than in 1913, but maintenance was increased \$1,297,000, hence decline in net of \$511,000.

Corn Products.—SEVERE COMPETITION, especially in starch, has reduced profits and one plant may close. Consumers are paying no more for syrup in spite of advance of 10 cents a bushel in price of corn. Earnings of Co. do not warrant more than 5% on preferred stock.

Crucible Steel.—DIV. DEFERRED on pfd. stock owing to war. Co. says: "It is reasonable to assume that with improved conditions due to excellent crop, restoration of normal business will be followed by payment of the deferred div." For yr. ended Aug. 31, 1913, Co. earned 7% on pfd. and 12.8% on common.

Denver & Rio Grande.—ANNUAL RE-

PORT made poor showing as result of coal strike, fruit crop failure and dull times in building operations. Receipts from freight fell off \$1,020,000 from 1913 and passenger earnings declined \$234,000. Economies in operating offset part of the loss and maintenance expenditures were curtailed \$444,000, hence net declined only \$266,000.

Distillers.—FLOATING DEBT was reduced from \$11,729,000 to \$5,922,000 during fiscal yr. ended June 30 last. Gross profits were slightly less than 1913, but net was \$342,000 larger, and \$701,000 was carried to surplus against \$6,900 in prev. yr. Business of sub-Co., U. S. Industrial Alcohol, has recently improved, and sales in Sept. were ahead of prev. yr. Prices are somewhat better than a yr. ago.

Emerson-Brantingham.—DIV. PASSED on pfd. stock and annual charge to sinking fund has also been omitted, owing to abnormal business and financial conditions.

Erie.—EXTENSION OF NOTES due Oct. 1, for 5 mos., cost the Co. 8.1%. Earnings yr. ended June 30, showed balance of 1.4% on 1st pfd. stock. This balance was obtained by a decrease of \$155,000 in additions and betterments, otherwise no surplus would have been left. Pres. Underwood says: "Erie is a long way from being bankrupt. The road today is in better shape physically than it has ever been. I have great faith in Erie. The showing in 1st quarter of this fiscal yr. is \$410,000 better than a yr. ago."

Fertilizer Companies.—PRES. MacDOWELL, of Armour Fertilizer Works, says: "Most sections are prosperous and should take normal supply of fertilizers next yr. Prices will be 50 to 75 cents a ton higher. The big change will be in the South where the main problem will be one of credit. The big companies can probably do 75% of normal business in the South, but the smaller and weaker ones cannot afford to extend much more credit."

Ford Motor.—AUGUST SALES were 20,638 cars, which augurs well for success in selling 300,000 machines this season, as August is a dull mo.

General Electric.—SALES show sharp decline in recent mos. Officials have investigated trade possibilities abroad and are not particularly enthusiastic about South America, where long credits would be necessary.

General Motors.—EARNINGS ON COMMON STOCK were 37.5% for yr. ended July 31 against 38.9% in 1913. In 1910, \$15,000,000 5 yr. 6% notes were issued, of which only \$7,852,000 are now outstanding. In 4 yrs. Co. has earned beyond pfd. divs. \$17,942,000, of which \$12,417,000 has been charged off for reduction of inventories and liquidation losses. Officials say that so far in current fiscal yr. gross sales have been \$1,000,000 ahead of last yr., but it is doubted if this rate can be maintained.

Great Northern Ore.—CASH POSITION OF CO. is strong—about \$9,000,000. Div. outlook next yr. is uncertain. Steel men say it will be yrs. before Co. can find a market for an amount of ore equal to that taken by U. S. Steel on its old contract. Nearly every steel company is well fortified in the matter of ore.

Illinois Central.—ANNUAL REPORT showed good improvement over 1913, with increase of \$1,592,000 in operating revenues, and increases in expense of \$726,000. Net for divs. was 7.4% on \$109,296,000 common stock. Labor troubles have disappeared, and the crops along line are good.

Interborough-Metropolitan.—ANNUAL REPORT shows earnings on pfd. stock of 4.1%. Arrangements have been made to reduce funded debt to about \$4,500,000, as of July 1, 1914—a reduction of over \$3,000,000 in 3 yrs. A plan is being considered for refunding the balance. The sub-Co., Interborough Rapid Transit, earned 22.9% on its stock for 1914 against 16.7% in 1913, 16.1% in 1912 and 14.7% in 1911. Income of sub-Co., New York Railways, has not yet been sufficient to pay full int. on its 5% adjustment bonds.

Intercontinental Rubber.—ANNUAL REPORT yr. ended July 31 shows net income \$50,989, a decrease of \$154,000 from prev. yr.

International Agricultural.—ANNUAL REPORT yr. ended June 30 shows approx. \$1,000,000 net profits before int. charges, against \$644,000 prev. yr. Balance will be about \$350,000 against \$14,000 prev. yr. Management is energetic and good progress has been made, but the outlook is uncertain, especially in the South.

International Harvester Corporation.—DIV. DEFERRED on common stock as result of interruption to business of Co., all of which is done abroad. This, of course, does not affect the International Harvester Company.

International Mercantile Marine.—PAYMENT DEFERRED on Oct. int. on \$52,744,000 mortgage and collateral tr. bonds. Aside from the railroads, this is the largest bond default in many yrs., but no action can be taken toward petitioning Co. into bankruptcy until 6 mos. after default. Outlook does not now seem very encouraging.

International Paper.—NEWSPRINT PRICES are higher and prospects brighter than for several yrs. Aug. shipments were about 30% above normal. Production can be easily increased further without new capital.

International Steam Pump.—RECEIVERS have sold \$500,000 6% certificates running 1 yr., to creditor banking institutions. Stockholders of Blake & Knowles Co. will endeavor to withdraw that Co. from International Pump.

Jersey Central.—ANNUAL REPORT for yr. ended June 30 showed 20.9% on stock against 26.7% in 1913 and 21.9% in 1912. Gross receipts decreased \$1,074,000 and maintenance increased \$1,013,000 while transportation costs increased \$364,000. Ratio of operating expenses and taxes to gross was 66.1% against 65.6% in 1913.

Kansas City Southern.—ANNUAL REPORT showed 2.9% on common stock against 2.7% in 1913. Slight increase in both operating revenues and expenses. Profit and loss surplus \$5,669,000 against \$4,953,000 in 1913.

Louisville & Nashville.—ANNUAL REPORT yr. ended June 30 showed net earned a little over 1913, but increases in taxes and int. reduced surplus for divs. to \$6,678,000 against \$8,380,000 in 1913, or 9.3% on stock against 11.6%.

Minneapolis, St. Paul & Sault Ste Marie.—**WISCONSIN CENTRAL**, or Chicago Div. of Soo Line, earned 4.6% on pfd. stock for fiscal yr. ended June 30, against 9.7% in prev. yr.

Missouri Pacific.—INCREASED FIXED CHARGES in last 4 yrs. have more than counterbalanced gains in net earnings. From 1910 to 1914 gross increased from \$53,000,000 to nearly \$60,000,000, but fixed charges rose from \$12,750,000 to over \$18,000,000. Per cent. of gross expended for maintenance was maintained in 1914 at the high figure of 31.4% against 30.8% in 1913, 31.2% in 1912, and 32.7% in 1911. Transportation expenses were 35.6% of gross in 1914 against 36.2% in 1913, 39% in 1912 and 43.1% in 1911. It is estimated that the property can be normally maintained with about 28% of gross.

New York Central.—NEW NOTES, about \$40,000,000, bearing 5% have been issued to take care of Co.'s requirements well into 1915. Under ordinary conditions Co. would have sold new refunding bonds.

New York, New Haven & Hartford.—INCREASED EXPENSES account for the disappearance of div. balance in past fiscal yr. Total freight revenue increased 1% over the good record of 1912, passenger revenue increased over 2%, but total expenses increased 13.7%. As a result net revenue decreased 24.9%. The greater part of the big increase in expenses has been for upkeep, but salaries and wages took 13% more revenue in 1914 than in 1912. Average daily wages rose from \$2.43 to \$2.57.

New York, Ontario & Western.—GROSS EARNINGS for yr. ended June 30, decreased 4.4% from 1913 and net operating income declined 22.6%. Maintenance consumed 31.3% of gross against 28.5% prev. yr. Increased rates or a greater volume of business will be essential before divs. can be resumed.

Norfolk & Western.—ANNUAL REPORT showed that Co. was one of very few

roads to increase gross revenue in 1914, gain being \$730,000, but this was wiped out by increase of \$1,370,000 in expenses, so that net revenue decreased \$639,000 or 4.2%. Maintenance was 32% of gross against 31.7% in 1913, 31.4% in 1912 and 30.8% in 1911. Bituminous coal furnished 68.3% of Co.'s tonnage. Average train load was 802 tons against 763 in 1913, 692 in 1912 and 642 in 1911.

Northern Pacific.—EARNINGS in current fiscal yr. are showing small decreases, but not as great as those of Great Northern, as Canadian business has fallen off most sharply. Management has good control of operating expenses, as for several yrs. past a large amount of permanent improvement work has been done.

Pacific Coast.—ANNUAL REPORT for yr. ended June 30 shows a decrease of \$880,000 in operating revenue, but reductions in operating expenses and charges brought the decrease in balance for divs. down to \$225,000. This equalled 4.5% on 2nd pfd. and common stocks, on which 5% was paid, against 6.6% earned and 6% paid in 1913.

Pacific Gas & Electric.—GROSS EARNINGS for 8 mos. of 1914 increased \$779,000 or about 7.4%, while expenses decreased \$323,000, or 5.2%. This good showing is the result of large expenditures made in the Lake Spaulding-Bear River and other water power developments. A good feature is that new units can be installed without corresponding increase in investment for dams and other hydraulic work, so that the average investment per H. P. will decrease rapidly, as the work progresses.

Pennsylvania.—ECONOMIES in operation have so far this yr. turned a large decline in gross income into an increase in net. In August, total earnings east and west of Pittsburgh decreased \$2,514,000 from prev. August, but expenses were cut down \$2,849,000. For 8 mos. ended August gross declined \$21,259,000, while net decreased only \$2,385,000.

Pullman.—ANNUAL REPORT for yr. ended June 30 showed 10.5% on stock. Cash on hand was \$6,477,000 against \$4,980,000 in 1913, and profit and loss surplus was \$5,300,000 against \$3,933,000.

Republic Iron & Steel.—RETIREMENT OF BONDS to amount of \$653,000, maturing October 1, has been provided for. The Co. has in hand sufficient funds to take care of all operating requirements.

Republic Railway & Light.—GROSS EARNINGS, 12 mos. ended July 31, increased \$211,000, or 7.3%, and operating cost increased 5.1%. Net earnings gained 11% over the preceding 12 mos. It is planned to bring the underlying companies into a more economically co-ordinated organization within a short time.

Reading.—MARGIN ABOVE DIVS. was very slight in last fiscal yr.—8.2% earned against 8% divs.—but \$2,024,000 was expended for betterment on the railway and new work at collieries amounted to \$1,198,000. These two expenditures represent 4.6% on the common

stock. Gross income of all companies decreased \$12,814,000 and was the smallest since 1909. Expenses of all companies decreased about \$4,000,000. The Coal Company mined 2,097,000 less tons of coal and sold about 2,000,000 tons less.

Riker & Hegeman Co. — SPECIAL MEETING of stockholders will be held Oct. 22 to vote on proposal to decrease par value of stock from \$100 to \$5 a share. Outstanding stock is \$7,000,000 common and \$3,589,000 preferred.

Rock Island. — DECREE OF FORECLOSURE and sale of C. R. I. & P. Railroad, following int. default on \$74,098,000 4% bonds, has been signed by Judge Mayer. Court decreed that any bidder must deposit \$350,000 cash, or \$5,000,000 bonds, and any buyer, in addition, must make first payment of \$1,000,000 cash, or \$10,000,000 bonds. So far this fiscal yr. revenue of operating company is running about 4% ahead of last yr., but net is not being increased to the same extent, though some improvement is shown.

St. Louis Southwestern. — ANNUAL REPORT for yr. ended June 30, showed only 2% earned on \$16,356,000 pfd. stock. Pres. Britton says: "General depression and unfavorable weather adversely affected freight traffic. Drought, floods and early frosts resulted in almost complete failure of fruit and vegetable crops in eastern Texas and decreased yield of other products. Tonnage of lumber and forest products decreased 11.5% from prev. yr."

Sears, Roebuck. — SALES in Sept. increased 16.3% over 1913. Jan. 1 to Sept. 30, sales were \$69,136,000, an increase of 6.9%.

Southern Railway. — ANNUAL REPORT showed an increase of 1.5% in operating revenues, but a decrease of 8.6% in operating income, owing to an increase of 4.8% in expenses. Pres. Harrison says: "It can hardly be expected that the operation of an American R. R. shall be again on a normal basis unless and until the question of the railroads shall cease to be a factor in American politics." Loss of revenue since the beginning of the war has compelled policy of retrenchment. Hence, altho full 5% on the pfd. stock was safely earned, the divs. were reduced from 5% to 4% and div. for 2nd half of yr. was made payable in 4% scrip, redeemable in 5 yrs.

Texas Company. — EUROPEAN BUSINESS is not large enough to affect earnings seriously. Co. has tanks in Antwerp whose fate is unknown. Decline in price of gasoline holds earnings down and officials do not attempt to forecast when improvement will come.

Texas & Pacific. — ANNUAL REPORT for yr. ended June 30 shows largest operating revenues in history of Co., \$18,652,000, increase over prev. yr. of 3.2%. Net income increased \$894,000, and appropriations for additions and betterments decreased \$244,000, so that surplus was \$377,000 against a large deficit last yr.

Twin City Rapid Transit. — LOW PRICE of July 30 was 10 points below normal and

netted about 6.3%. Earnings for 1913 were 7.6%, having steadily risen from 5.5% in 1908. Within 10 yrs. the track operated has risen from 317 miles to 406, and amount appropriated for depreciation, renewals, etc., has increased from \$206,000 to \$1,060,000.

Union Pacific. — CURRENT EARNINGS have been enlarged by crop movement, which offsets decreases in other lines. Judge Lovett says that in view of slowing down in mercantile lines and falling off in passenger traffic, Co. will do well to hold its own with last yr.'s record.

United Cigar Stores. — SALES CONTINUE LARGE. Sept. was better than Aug. and Oct. will probably be the best Oct. in history of Co.

United Fruit. — DIVIDENDS of 8% were not fully earned owing to the unique combination of adverse factors with which Co. has had to contend. However, Co. has a big surplus and is a great earner in normal times. To date Co. has put 17 ships under American Flag and will transfer the rest as fast as they arrive in port.

United Light & Railways. — DIV. PASSED on common stock, owing to unsettled financial conditions and necessity of conserving cash resources. Construction work is under way and it is thought doubtful whether additional securities can be sold, so that Co. must utilize cash on hand and part of earnings to pay for these improvements.

U. S. Realty & Improvement. — DIV. DEFERRED owing to unusual business conditions, altho earnings for past yr. were in excess of div. requirements. For 5 mos. ended Sept. 30, gross earnings were \$1,250,000, net \$665,000, surplus after divs. paid Aug. 1, \$214,000.

U. S. Rubber. — PRES. COLT says: "Div. having been amply earned and finances of Co. being in an easy condition, with \$8,000,000 cash on hand, action of Board in declaring regular divs. was conservative." Prospects in the footwear trade are especially good.

U. S. Smelting. — DIV. DEFERRED on common stock, but regular 1 1/4% declared on pfd. Co. is large consumer of cyanide and European sources of supply are now entirely closed, but Co. hopes to open up a source of supply within a few mos.

U. S. Steel. — CURTAILMENT is the order of the day, owing to continued lack of business. Foreign inquiry now in market amounts to about 115,000 tons, worth, roughly, \$4,000,000. Co. should benefit from elimination of foreign competition in high-grade steels from Belgium and Germany, as it will doubtless be a long time before those countries can again export. Unfilled tonnage was down to 3,787,667 Sept. 30, smallest for 3 yrs.

Western Union. — BUSINESS for 9 mos. ended Sept. 30, showed an increase in total revenue of \$1,494,000, and net of \$3,884,000 against \$2,232,000 for the same mos. of 1913, or an increase of \$1,652,000.

Westinghouse Air Brake. — ANNUAL REPORT for yr. ended July 31, showed 17.7%

earned on stock against 26.8% in 1913, 20% in 1912, 20.5% in 1911, and 30.2% in 1910. Divs. paid were 16% against 21% in each of three previous yrs. The decline was due to the seriously crippled financial condition of the railroads.

Westinghouse Electric. — CURRENT SALES are fairly good under the circumstances. Sept. orders were 64% of Sept., 1913. Before the war, shipments were running at about 70% of last yr. Decline in bookings has been less than 10% in last 2 mos. Statement that Co. had cut salaries was erroneous. This was Westinghouse Machine Co.

Wheeling & Lake Erie. — DECREASED BUSINESS is feature of present fiscal yr., decline in gross from last yr. being so far nearly one-third, and decrease in net about 30%. The

falling off has been due to slack trade in commercial coal, which makes up principal part of Co.'s business.

Willys-Overland. — ANNUAL REPORT for yr. ended June 30 showed surplus of \$4,881,000, equal to 24.2% on \$20,000,000 common stock, against 26.5% prev. yr. Co. has \$2,112,000 cash on hand.

Woolworth (F. W.) — SALES FOR SEPT. increased 6.3% over 1913. For 9 mos. sales were \$46,718,000 against \$43,845,000 in 1913, a gain of 6.6%. Co. may be adversely affected by inability to get supplies of toys, glassware, cheap jewelry, etc., from abroad. Probably many toys will be taken out of the 5 and 10 cent realm this yr., in spite of the fact that American toy manufacturers are running at capacity.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

Alaska Gold. — The new milling plant will have a capacity of 8,000 tons per day instead of 6,000 tons as originally contemplated. Actual costs will be under rather than over the original estimated cost of 75 cents per ton to cover milling, mining and charges of every nature. Those in control look forward to operations within a few years at the rate of 7,000,000 tons with annual profits of \$5,000,000. The new mill will be in regular operation by end of December, this year, with full capacity by the middle of 1915.

Amalgamated. — Company declared a quarterly div. of 50c. a share, a reduction of \$1 a share from the preceding quarter. Div. is payable Nov. 30 to stock of record Oct. 24. This action was foreshadowed by action of Anaconda, which is controlled by Amalgamated, in cutting its div. from 75 to 25c.

Anaconda. — Co., which had a smelter output of 12,400,000 lbs. of copper in Sept., will, according to present plans, maintain a monthly yield approx. 12,000,000 lbs. This will be about 50% of normal output, which ranged from 24,400,000 lbs. in Jan. last to 21,300,000 in Feb. and back to 23,500,000 and 23,800,000, respectively, in May and June. The "Great Falls" plant has been closed down.

Butte & Superior. — Sept. was another successful operating mo. The market for spelter has again subsided, and is now quoted at about same price as previous to outbreak of the war. By the cutting off of supplies from Germany and Belgium, this country

will be called on to make good this deficiency. Co. has already demonstrated its ability to make substantial earnings with the metal at its present figure.

Goldfield Consol. — Estimated results for Sept., 1914, show 27,846 tons of ore mined, with net earnings of \$122,000.

Granby. — Preliminary reports for yr. ended ended June 30, 1914. The net cost of production was 11½c., against 10.6 in 1913 and 11.1 in 1912. That Co. should have earned rather less than \$3 per share in this fiscal yr., as against \$6 paid, is rather disappointing, but these figures are the result of operations at the old property at Phoenix and do not reflect any earning power from the new "Hidden Creek" property. Co. sold 23,320,097 lbs. of copper at an average price of 14.58c. a pound, as against 22,688,614 lbs. at an average price of 16c. in 1913. The tonnage in sight at Phoenix has been reduced from 5,613,000 to 4,691,000. It is, on the results from "Hidden Creek" property that the value of these shares depends. The Co. has a total at all its properties of 23,000,000 tons.

Kerr Lake. — Co. reports net profits of \$620,786 or \$1 a share for fiscal yr. ended Aug. 31, 1914, as compared with \$769,176 or \$1.28 a share in preceding yr. The silver output was 1,828,424 ozs. against 1,855,495, and cost of production 24.86c. against 18.30c. in preceding yr. The higher cost was due to lower grade of ore treated. Ore reserves at end of yr. were estimated at 5,698,700 ozs. against 6,660,091 a yr. ago.

The proceeds of ore sales for the yr. were \$1,036,952, a decrease of \$139,447. Miscellaneous income was \$23,743, an increase of \$5,374. Total expenses were \$355,101, a decrease of \$9,923. The profit and loss surplus at end of yr. was \$961,093.

Miami Copper.—Co. issues a report covering the first half of 1914. Profits for half yr. were at the rate of \$2.58 per annum, with copper at 13.6c., as against actual profits in 1913 of \$2.05 per share, with copper at 15½c. Co. has deferred action on quarterly div. Last div., 50c. a share, was declared in July. "Action by the board was due chiefly to unsettled conditions which now prevail in the copper trade and reduced output of the mine."

Nipissing.—Should investigation into the merits of the "McIntyre Mines" by engineers for the Nipissing Co. come up to expectations the gold property will at once add 5% to Nipissing's net earnings. The McIntyre property has been earning \$50,000 net per mo. Co. has a mill in operation which treats 10,000 tons of ore monthly, the bulk running better than \$10 gold per ton. The 60-day option which Nipissing has secured calls for the payment, if exercised, of 40c. a share on more than 1,000,000 shares of McIntyre stock. The Nipissing div. should not be disturbed by this extra call on treasury cash. The Aug. net profit of Nipissing was \$136,778 on a yield of 401,820 ozs. of silver valued at \$212,965. With two exceptions the production was the largest this yr.

Ray Consol.—A flood in Mineral Creek

washed away several hundred feet of roadbed of the Ray & Gila Valley R. R. No damage whatever was done to the Copper Co. mine or plant, and no water entered the mine. The storage bins are full of ore, so this will cause no variation in Co.'s output.

Stewart.—Co. declared quarterly div. at 10% and an extra of 2½%, payable Oct. 19 to stock of record Oct. 8. Books close Oct. 8, reopen Oct. 20. With payment of this div. Co. will have paid a total of 75%. Disbursements were started in June, 1913.

Tonopah Belmont.—Co. reports for quarter ended Aug. 31 receipts of \$714,611 and net profits of \$347,453. Total resources are \$1,387,061, of which \$746,952 is cash, \$381,480 due from smelters and \$250,000 collateral loans.

Mining Notes.—According to the *Mining and Engineering World* owners of stocks in 119 American mines and works received in dividends during the 9 mos. of 1914 \$67,576,449. Had it not been for the European war, 7 copper producers would have added in Sept. no less than \$4,000,000. Other Co.'s cut their regular quarterly rate from 25 to 50%.

With 12,718,767 lbs. of copper cleared through the port of New York, in one week registered the second heaviest tonnage reported for export since the European war started. Two weeks preceding there was cleared 13,458,811 lbs.

Copper Producers' Asso. will issue no statement, and date of resumption is indefinite. Last monthly report issued was for June.

Wanted—A Market for Cotton

By C. T. REVERE



NY great public calamity, which on account of its magnitude becomes the focus of general attention, is sure to provoke a flood of inexpert suggestion having for its purpose cure or prevention. Mississippi overflows, panics, wars, even earthquakes incite the lay mind to offer advice that is as useless as it is prolific.

The present cotton situation has called forth some proposals that have all the merits of good intention with an utter disregard of the economic questions involved. Nearly all of these schemes have had for their sole purpose the holding of cotton until the grower can obtain that ever-to-be-disputed reward—"a profitable price." No two opinions would agree on the figure that repre-

sents a "profitable price"; moreover, the exigencies of the present instance seem to impose insuperable barriers to such an attainment. The hope of 10 cents just now seems as chimerical as 20 cents did last year.

Therefore the establishment of an arbitrary price level should not engross the energies of financial experts so much as the establishment of a market. If a free and natural market is created the price will take care of itself. In making this statement there is no intention to convey the impression that the farmer should turn loose his crop and let it sell for what it may. The farmer should hold as firmly as he can when the price does not suit him. That is his privilege, and every assistance

according with sanity in financial method should be at his command. If, however, some of the vain effort devoted to laying a complete embargo on the sales of cotton should be expended on creating an outlet for the cotton that must be sold, the cotton problem would lose many of its most distressing aspects.

Thus far, however, no person has raised his voice in favor of any proposal except those having for their primary purpose the holding of cotton for "a profitable price." Representative Henry, of Texas, proposes that the government should advance \$500,000,000 for the purchase of cotton at 10 cents per pound. His bill, of course, will not be seriously considered, and his advocacy of such a monstrous absurdity should call for no comment except as a vote-catching expedient to an agricultural constituency.

The "Buy-a-Bale" movement is gradually dying a natural death. It was magnificent, but it was not sound. The very bales that have been bought at 10 cents, thousands of them, may be a menace to a rising market far below their purchase price and at a time when it may be inconvenient to absorb such offerings. The fever had its inception in hysterical enthusiasm engendered by contagious publicity. Thousands of persons bought cotton at 10 cents and have seen it since go down to 6 cents. Impostors joined in the crusade, of course, and played the philanthropist by buying from the farmer at 7 and 8 cents and selling it to the credulous at the stipulated price.

In none of these suggestions, many of which have crystallized into actual campaigns, has there been more than a dimly-outlined proposal to create a market for the South's cotton. At least there has been no organized effort. Complaints have been forthcoming that the spinner was not buying, and these complaints have mounted even to vituperation because the producer was suffering from these dilatory tactics.

This article is not a brief for the consuming spinner, but the writer believes that in the warmth of compassion for the cotton grower several economic essentials have been overlooked; and that if the situation had been handled less from the standpoint of hysterical sympa-

thy, and with stern regard for business sanity the producer would not now be in his present plight.

In the first place a decline in cotton could not have been prevented. A decline below the cost of production is likely to prove an economic waste unless other classes in the community can obtain a benefit that will offset the effects of the loss to the producer. Such loss becomes positive waste if the efforts to bring about a rise in prices merely result in damming up the market and permitting interest and storage charges and "country damage" to add items of cost that benefit no one.

So in all this uproar over cotton no one has thought of the spinner except to berate him because he does not buy more freely. Why doesn't the spinner buy? It is probable in recent years that nine hundred and ninety-nine spinners out of one thousand have taken solemn vows to buy cotton—two years' supply at least—if the price ever reached 8 cents. In the last two weeks it has been 2 cents below that figure, and the buying has been of the most cautious character. Why is this? The spinner knows, probably better than any one else, that he is losing the opportunity of a lifetime. The explanation lies in the almost self-evident assumption that the spinner has not the resources to lay in more than a hand-to-mouth supply.

It seems therefore that the logical way to correct the evil of low-priced cotton is to provide the spinner with credit in order that he may lay in reserves. Some of the "distress" cotton which would be sold anyway would go to him at low prices. It has to be sold to some one, and why not to the spinner? With this weight off, the market prices would rise more quickly than they would if the lifting leverage of all the banking syndicates and "Buy-a-Bale" clubs in the world were being utilized.

Another question—why can't the spinner buy freely? First of all, the resources of cotton manufacturers have been put to a severe drain in the last few years, especially in the last year, by buying raw material at 13 and 14 cents and selling their output on a basis 1 to 2 cents per pound lower. As if this strain had not been sufficient, the war came

along and administered a blow that was as crushing as that which fell upon the cotton planter. Manufacturers always have some reserve stocks of goods. At the close of this season they also had a fairly large reserve of cotton for which they had paid an average of more than 13 cents, basis middling. Raw material, yarns and goods have been marked down to the basis of war prices. The planter saw the war kick the props from under the price of his cotton. The same thing has happened to the cotton manufacturer.

Goods buyers, owing partly to a sense of caution and partly owing to the new policy buying merchandise as needed, have been willing to make purchases only in the smallest quantities unless the manufacturer would agree to guarantee the price—that the price would go no lower. The cotton manufacturer, one sees, has to deal with purchasers who are not influenced by sentiment.

Even if the necessity of aiding the American manufacturer by a liberal extension of credit has not struck the philanthropic financiers of this country, the wisdom of such a course is apparent to Great Britain. Already plans are being made to give outside assistance to Lancashire—government assistance, if necessary—to enable British spinners to obtain cheap raw material in order that they may continue to hold their share of the world's over-sea trade.

Cotton prices are now lower than any broad-minded and far-sighted spinner cares to see them. Even Sir Charles W. Macara, long known as the mouth-piece of the British textile trade, is urging co-operation on the part of the spinners of Great Britain and America, not only to lay in a surplus, but to steady the price of cotton, which would "be a great advantage to every one in the trade."

The fact remains, nevertheless, that American cotton manufacturers have been unable to get the funds or the credit to lay in reserves of raw material. Plans have been suggested for the aid of the producer based on the argument that cotton affords unimpeachable security for loans. The surprising feature is that this point has not been recognized in favor of the consuming spinner who wishes to make purchases. The

cotton he would buy, stored away in his warehouse, offers much better security than the product of the farmer tucked away under boards on the farm and exposed to deterioration both as to quantity and quality as a result of "country damage."

If such assistance should be extended to the spinner, the loss to the South would be immediately checked. Prices would rise. Moreover, the waste from improper storage would cease to be a factor. The spinner, of course, would profit most from such a saving, but at present no one profits. Nor should it be forgotten that any gain which the American spinner may make in the present crisis is of benefit to the community at large. In the long run the profits which the manufacturer may make will fortify him to such an extent that in the event of future disaster he would be able to come to the rescue of a situation in which it is now beyond his power to offer assistance.

The South has been forced to the conclusion that it has been misled in its hostile attitude toward cotton exchanges. There never was any real basis for the agitation that spread over the cotton belt. The producer has derived his notions of economics largely from the blatant tirades dealt out from the political platform, and when his candidate for Congress told him that he was being robbed by the "New York bears" he naturally accepted the statement at its face value.

The reopening of the cotton exchanges in a sound financial position, with resources to protect contracts and a well-margined buying power, would work magic in the existing crisis. Suppose, for instance, that this crop is 16,000,000 bales. Let us admit that we shall need only 11,000,000 bales out of the present production. These figures give the extreme of bearish assumption. But let us accept them. What if they are true! With the cotton exchanges open a surplus of 5,000,000 bales out of one crop would have no terrors for the consuming trade of the world. It would be almost the first time in history when the spinners have had a surplus that is equivalent to the reserves of raw material carried by the consuming manufac-

turers of other industries. Moreover, by the use of the machinery of the modern contract markets it is possible to distribute this surplus over a series of years so that the appalling glut of this season may be held against the want of the years that surely will come.

We had an instance of this in 1911 when a crop of 16,000,000 bales was robbed of its burdensome terrors and the excess was sold to spinners as far ahead as 1920. The causes of the depression in that season were different, but the effect was the same—low prices. The only difference lies in the fact that in that season we had contract markets open with scientific machinery available for the distribution of the surplus.

If the cotton exchanges open, the consumer and the speculator can buy in wholesale lots. The "Buy-a-Bale" crusade, with all the generous spirit that prompted it, will look like an effort to bale out a sinking liner with a teaspoon. Commodity exchanges are the products of evolution in business. They repre-

sent the effort of a complicated civilization to carry on its business at a minimum of cost and effort. Through their facilities it is possible for the consumer to take off the market 5 and 10 times as much raw material as he could if he dealt solely in the "cash" or "spot" commodity.

The principle that seems to have been overlooked, therefore, is the necessity of creating a market. Never mind the price. We have natural laws governing prices, and that feature will take care of itself, just as surely as the law of gravity controls in the realm of physical phenomena. With the spinner furnished with credit, and the cotton exchanges resuming their normal functions, the Atlas-like task imposed on public-spirited syndicates will be made comparatively easy. Without such assistance the cotton taken off the market until a "profitable price" is reached is likely to turn into a stone of Sisyphus, and become a recurring burden for months, and perhaps years, to come.

Facts About Public Utilities

Comparisons With Railroads and Industrials

By P. W. BROOKS

PUBLIC utility companies are as essential as the postal service, if not more so.

Consider for one moment the effect of an indefinite suspension of gas, electric light and railway service and the demand for these utilities can be easily understood.

Every building that is built, whether for commercial or domestic purposes, means an increased demand for gas, electric light and trolley service.

Efficiency and economy are best judged by results. The fact that the net earnings of well-managed public utility companies are usually more than two or three times the amount necessary to pay the interest on the bonds, speaks for results in management.

When a company can, under the careful supervision of a government commission, pay 5 per cent. to 6 per cent. interest on its bonds, and 7 per cent. to 8 per cent. on its stock, and lay by a surplus, efficiency and economy in management has certainly been established.

The introduction of public service commissions in almost every State also has done much to place all public service companies on a firm footing, inasmuch as under these commissions the companies are not heckled by petty local politicians or forced to pay interest to an organization under threat of competition.

The commissions have not only recognized and protected the rights of the utility companies, but, by the supervision

of financing, and the fixing of standards of engineering, have given the public better service at cheaper rates.

The utility companies, at first distrustful of the efficiency of commissions, now welcome their establishment, as practically in every case it has resulted in a square deal.

The products of public utility companies, such as light, heat and power, go direct from manufacturer to consumer. Electric railway transportation, compared with railroad transportation, is simple. An analysis of the conditions of these companies, therefore, by engineering and accounting methods is easy.

The complex problems of industries and railroads are not to be found in public utility companies.

Complete and comprehensible reports on the conditions of any company are, therefore, easily obtainable. This is an unusual incentive for companies to make correct reports.

For the past two years national banks have been increasing their holdings of public utility bonds, and decreasing what they have on hand of railroads and industrials. A study of the reports of the Controller of Currency proves very interesting along these lines.

Public utility companies have been successfully operated, as a whole, for the past thirty years. A careful compilation of figures for that time fixes this fact by a comparison of net earnings of railroads, industrials and public utilities.

NET EARNINGS IN PER CENT. OF CAPITAL INVESTED.

Steam railroads.....	4.25%
Industrials	7.79%
Public utilities.....	8.45%

The above is a *positive* proof of successful operation. Let us take the worst side of the proposition and establish a *negative* proof.

For the same period of time figures have been compiled showing the liability of companies getting into difficulties. This is called Risk of Receivership and the following results have been deduced:

RISK OF RECEIVERSHIP IN PER CENT. OF CAPITAL INVESTED.

Steam railroads.....	1.84%
Industrials	2.07%
Public utilities.....	0.37%

This shows that the liability of a steam railroad going into the hands of a receiver is five times as great as a public utility company. This is a *strong negative proof*.

In a word: For the past thirty years public utility companies show net earnings of 8.45 per cent. against 4.25 per cent. for railroads, and the risk of receivership in railroads is five times greater.

The previous paragraph has shown the results of figures compiled for thirty years.

From 1907 to 1911, a period of panic and the effects thereof, the following figures showing a comparison of net earnings are even more emphatic.

PER CENT. INCREASE OF NET EARNINGS

1907-1911.

Gas and electric.....	60%
Electric railway.....	20%
Steam railway.....	5%

Steam railways show but 5 per cent. increase in net earnings for 1907-1911, and in 1907-1908 their earnings decreased 20 per cent.

Net earnings of industrials from 1907-1908 ran from 20 per cent. increase down to 25 per cent. decrease in net earnings, a downward percentage of 45 per cent.

They returned to about 10 per cent. increase in 1910, but dropped back to 10 per cent. decrease in 1911.

In times of panic, therefore, public utilities can be emphatically said to have stood the test.

Since public utility companies began to be an important economic factor, the country has been at peace, excepting during the short period of the Spanish-American war. This had no effect on public utilities, but can hardly be called a war test. There has been more or less of an indirect war test, however, for the past ten years. The trouble at Morocco, the expulsion of Turkey from Europe, the Balkan war, all leading causes to the great European war, have been having their effect indirectly upon American securities. During these times the net earnings of public utility companies have steadily increased, and the risk of receivership remained the same (0.37

per cent.), as indicated in a previous paragraph.

In any State which has a public service commission, the utility companies have been given a practical monopoly in the district served. The reason for this is that the commissions have approximated the lowest cost of production and operating expense. This knowledge they use in supervision.

Should companies be allowed to compete, cut-throat methods would soon result in the failure of one of the companies and the public would suffer in many ways. On the other hand all the advantages of monopoly which tend towards efficiency and economy are now enjoyed by the public utility companies and equally so by the public themselves.

This is an advantage enjoyed by no other class of privately-owned enterprises.

In no other class of security is there such a large proportion of bonds of \$100 and \$500 denominations, and many houses will issue certificates in any amount from \$20 upwards, yielding the same rate of interest as the bonds themselves.

This gives public utility bonds two important advantages over other securities.

(1) They offer 5 per cent. to 6 per cent. to the investor on savings which have not yet reached the amount necessary to invest in other bonds.

(2) They have a very broad, if not the broadest, direct distribution. This means that more people are interested in and affected by this class of security than any other.

This is an excellent economic factor.

A great deal is heard these days about the high cost of living, which means nothing more than that we have learned to want more, need more, and get more things. Life may be more complex, but it is much more interesting. Fifty years ago 4 per cent. was a sufficient rate of interest to meet the wants and needs of that day.

A nation, like a person, passes from boyhood and girlhood to manhood and womanhood, and likewise its needs increase. The number of the States—the nation's children—have increased. The cities of fifty years ago have growing children (towns) all around them. It is not a question of reducing our expenses so much as increasing our income. We want to hold and increase our prosperity, and in public utility bonds—products of the later generation—is to be found the opportunity for accomplishing this purpose. They return an income of 5 per cent. and 6 per cent. with a high degree of safety.

The business of public utility companies is not only an established necessity, but is growing more than twice as fast as the railroad business.

The railroads must extend and will, but the communities served by railroads will grow within themselves much faster than the railroads will extend.

To meet the increase in demands of the public for public utility services, it is estimated that one billion two hundred million dollars of new capital per year will be required, or four million dollars per working day.

Brown & Scales—Cotton Plungers

IT is said that when William P. Brown, of New Orleans, died a few weeks ago, he was worth \$20,000,000. We venture to say that if Mr. Brown had stayed in the game long enough he would have lost all or the greater part of this money. If his ambition was to die rich the time was "well chosen."

Men who stake everything on one big

deal frequently get away with it. Very often they do not.

A few years ago W. P. Brown, Eugene Scales, and two other members of their coterie, used to be seen frequently in a certain ground floor brokerage office on William Street. They were known as the "Big Four," and they had the cotton market by the tail.

Scales used to sit on the front doorstep,

chewing a straw like an old farmer, and looking the part. A newspaper man remarked to Scales' broker, "I hear Scales has lost all his money."

"No," said the broker, "he has more millions soaked away than he can ever lose." Someone said these millions numbered eight, but recent events have proved that it is possible to lose that many.

The best feature of cotton trading is that you get action—big swings. You can make a pile or lose it, so it is the ideal medium for big pyramiding speculative operations.

Early in 1908 Eugene Scales was flat broke, with the exception of a badly mortgaged ranch, and a diamond stud. He pawned the stud for \$250 and, on the advice of Jim Patten, tackled wheat. With this small capital he pyramided successfully until his profits amounted to \$40,000.

In October of that year cotton was close to 8 cents a pound. He bought and again pyramided. Cotton rose to 12 cents and Scales, finding Texas

too small for him, moved to New York.

In December 1909—less than two years after he pawned the stud—Scales closed out 200,000 bales of cotton above 16 cents a pound, and took \$6,500,000 profit, which probably represents the largest percentage on such a small capital ever realized in a similar length of time.

Big plungers sooner or later get the idea that they are bigger than the market, and it is this fatal egotism which generally gets them. Scales was not satisfied with having increased his original capital some 26,000 times in two years, so he decided to put cotton to 20 cents. This little effort cost him \$3,500,000, and since that time he has never been able to regain his former power and prestige. A couple of months ago he filed a voluntary petition in bankruptcy, claiming that he owed \$28,000 more than he could pay.

We have no doubt that before long Scales will make more millions from a shoestring. The low price now prevailing for cotton would seem to point eventually to another just such opportunity.

Oil Investments From a Practical Standpoint

IV—Marketing Companies

By JO. P. CAPPEAU, JR.

THE final step in the oil business, that of marketing the products of the refineries, has probably seen more changes within the past decade than any other branch of the industry. Today, the strictly marketing companies in which the general public can invest, are very few in number and in this company, practically limited to those in the Standard Oil group.

As in other industries, the oil business is more and more doing away with the middleman in getting the products of petroleum to the ultimate consumer. The smaller refineries are banding together and forming foreign selling companies whose stock they control collectively and in this country are selling direct to

the retailer and to the small consumer. The larger refineries have already established their line of tank steamers, foreign storage stations and marketing companies, whose stock is entirely owned by the parent company.

As an example, the Standard Oil Co. of New Jersey controls six or seven foreign marketing companies operating in as many different countries. There are several companies in the East that act in a strictly marketing capacity for foreign trade and a number of associations in California and the Gulf coast country, but stock in these concerns is rather closely held and public hears little or nothing of their doings. Large refineries in this country are establishing service stations in large cities where they

sell gasoline and lubricants direct to the motor car owner and their example is being followed by small refineries in the West.

With the investment discussion practically limited to the Standard Oil group in which there are five strictly marketing companies, those which have no refining facilities of their own and simply handle the products of other concerns, a glance at their earnings, as shown in available balance sheets may be of interest. Of the five companies, three are operating in the United States, namely, the Continental Oil Co., having the Rocky Mountain region, the Standard Oil Co. of Nebraska, the states west of the Mississippi and north of the Missouri rivers and the Standard Oil Co. of Kentucky, the Southern States. The companies operating in foreign countries are the Anglo-American Oil Co., an English corporation selling in the British Isles and the Continent and the Colonial Oil Co., with a trade in South America.

The Continental Oil Co. was originally capitalized at \$300,000 and is reported to have paid dividends of as high as 165 per cent on this amount. In May, 1913, the capital stock was increased to \$3,000,000 and the increase was distributed as a 900 per cent stock dividend. Dividends at the rate of 12 per cent. have been paid on the new capitalization and the net earnings are estimated at 20 per cent. to 25 per cent.

The Standard Oil Co. of Kentucky had a capitalization of \$1,000,000 which was increased to \$3,000,000 in December, 1913, and practically given as a stock bonus to the stockholders, rights for 200 per cent. at par being declared and at the same time a 200 per cent. cash dividend. As high as 200 per cent. net earnings were reported on the \$1,000,000 capitalization and current dividends have been at the rate of 16 per cent. on the new capitalization with extra payments bringing the rate up to 20 per cent. Net earnings for 1913 were at the rate of 33½ per cent. on the \$3,000,000 capital stock.

Standard Oil Co. of Nebraska showed net earnings of 13.2 per cent. in 1906 on \$600,000 capital stock, which has since been increased to \$1,000,000 by stock dividends in 1912 and 1913. Divi-

dends paid semi-annually indicate a 20 per cent. rate while extra disbursements in the past have raised this to 30 per cent.

Anglo-American Oil paid 20 per cent. in 1912 and 25 per cent. in 1913 while a 100 per cent. stock dividend was paid in 1914 together with 10 per cent. to date. Net earnings for 1912 of better than 80 per cent. are indicated by comparative statements.

Colonial Oil has paid no dividends since the dissolution and it is understood that as soon as proper arrangements can be made, the company will be dissolved.

It would seem from the above figures that the marketing end of the oil business is and has been a lucrative undertaking, and the fact that the refiners are going in for that end so heavily themselves, thus cutting out the middleman's profits, would appear as if they too recognized the profits in this branch. Handling well advertised and established brands of petroleum products should show more safety, smaller initial investment with reasonable profits than any other branch of the oil business.

The relation between the bulk of refinery production and the wants of the territory served by the marketing company should be of prime importance. At this time, the bulk of the refined exports are in the form of burning oils, kerosene, etc., and the market for these products in this country is more than oversupplied. Consequently greater inducements are offered to marketing companies that can dispose of burning oils in this country than are offered to those only having a market for say gasoline and lubricants. Freight rates both from refinery to base of the marketing company and thence to the retailers are of importance, but as a usual thing, the public pays the freight anyhow.

Another point is competition, which brings the source of a marketing company's supply of products into consideration. Freight rates again enter into the matter and the difference in freight rates may make the difference in a sale price and land an order for the marketing company with the cheapest delivery. There are some particular products of petroleum which, owing to refining conditions, result in a much larger per-

centage of profits than others, and a marketing company that can handle these products would share in this gain.

Since the first of these articles was published, the oil business has suffered one of the greatest depressions in its history. In less than a year, the price for Eastern crude has declined from \$2.50 per barrel to \$1.40 per barrel, Mid-Continent oil from \$1.05 to 55 cents per barrel, pipe line runs were reduced throughout the United States and for the first time in the history of the oil business, the producer was unable to sell his oil for cash. The outbreak of the war in Europe was responsible for the total demoralization of the export trade and as the country was already overstocked with burning oils and lubrics, this worked an extra hardship.

The large overproduction in Oklahoma and and increase in high-grade fields of Louisiana and Texas had flooded the eastern markets with cheap high gravity parafine base oil which had broken that market for eastern crude as well as the western market. That the Bartlesville sand at Cushing, Oklahoma, would produce more oil alone than the whole Mid-Continent did a year ago, and of very high gravity, which could compete on almost even terms with Pennsylvania grade oils, or that the De Sota Parish, La., would show a 20,000 per day increase in the output of light oils from the

Gulf region were matters that could not possibly be foreseen even by the most experienced oil man and when the outbreak of the European war cut off the exports of refiners already overloaded with stocks, due to the fact that the rapid development of the motor car had created an unprecedent demand for gasoline whose manufacture also necessitated that of other products for which there was no market in this country, conditions probably reached the low point of oil history.

It is hoped that things are again on the upturn. Exports have been resumed in a limited way, the market for crude has held steady for practically a month at the low point, pipe line runs have been increased until conditions are practically normal in the east and in the west crude has reached such a low point that it will be profitable for the refiners to build up a fuel oil trade that will, it is hoped, speedily take care of the surplus production over normal demands. As stated in the beginning of this series of articles, the oil business all the way through is a gamble with returns which, although they may seem large to the uninitiated, are not out of proportion to the risks involved. Incidentally, it may be mentioned that a number of oil stocks are now selling quite a few points above their closing quotations on July 30, and that the demand is increasing.

Traffic Originated by the Railroads

Showing the Per Cent. of the Total Amount of Revenue Traffic Hauled to the Amount Originated on Their Own Systems

	Percentage.		Percentage.
Atch., Top. & Se. Fe.....	77.0	Lake Shore & Mich. So.....	26.0
Atlantic Coast Line.....	72.2	Lehigh Valley.....	65.3
Baltimore & Ohio.....	71.1	Louisville & Nashville.....	85.6
Boston & Maine.....	39.0	Michigan Central.....	35.7
Buffalo, Rochester & Pittsburgh.....	67.0	Mo. Pacific System.....	70.0
Central of Georgia.....	58.2	N. Y. Cen. & Hud. River.....	41.5
Chesapeake & Ohio.....	82.3	N. Y., Chic. & St. Louis.....	24.3
Chicago & Alton.....	47.7	N. Y., New Haven & Hart.....	48.5
Chic., Burl. & Quincy.....	67.3	N. Y., Ont. & Western.....	60.7
Chic. & East Illinois.....	75.9	Norfolk & Western.....	81.5
Chic. Gt. Western.....	50.0	Northern Pacific.....	84.6
Chic., Mil. & St. Paul.....	72.1	Pennsylvania R. R.	68.8
Chic. & Northwestern.....	71.4	Pittsb., Cin., Chic. & St. Louis.....	43.2
Clev., Cin., Chic. & St. Louis.....	59.5	Rock Island Lines.....	68.3
Colorado & Southern.....	66.9	St. Louis & San Fran.....	74.8
Delaware & Hudson.....	59.2	St. Louis Southwestern.....	54.5
Denver & Rio Grande.....	83.0	Seaboard Air Line.....	57.9
Erie.....	47.9	Southern Pacific.....	78.9
Great Northern.....	93.2	Southern Ry.....	64.6
Hocking Valley.....	47.0	Tol., St. Louis & Western.....	41.5
Illinois Central.....	66.5	Union Pacific.....	58.7
Kansas City Southern.....	64.0	Western Maryland.....	46.6

The Oil Industry and War

BY JOHN WARREN, Editor, "Petroleum Age"

TEN weeks after the outbreak of hostilities in Europe, the oil industry in the territory east of the Mississippi river has recovered completely from a condition of temporary paralysis and is again on a normal basis. Along the Gulf Coast the recovery has attained dimensions of a boom in the export trade while in Oklahoma and California conditions are not so happy owing to the prevalence of over production.

The situation as a whole is most encouraging to holders of oil securities, particularly as the rapid improvement under prevailing discouraging conditions holds promise for still further gains in the future.

What was unquestionably a boom in the oil industry reached its crest about the middle of 1913. From then on the business began to experience the cumulative effects of a period of protracted industrial stagnation. The demand for lubricating oils and fuel oils fell off while the demand for gasoline continued ahead of the supply. The result of this was a large accumulation of manufactured stocks by the refineries at the close of 1913. Then followed the curtailment in the demand for crude oil for refinery purposes which was reflected in the lessened traffic of the pipe line companies and smaller sales by oil producers.

Meanwhile at the outset of this year two new fields, both unusually prolific, were developed in Oklahoma, and in spite of repeated warnings from the pipe line companies, producers quickly induced a condition of over production that threw the entire industry out of adjustment and brought crude oil prices tumbling down throughout the entire country. The Cushing and the Healdton fields in Oklahoma caused this change and are still the menacing factor in the present situation.

With the price of most of the Standard Oil securities above the level of July 30,

the investor's attention at this time is focused on the future. In spite of adverse physical and industrial factors there is good ground for hope that 1915 will be as happy a year for the oil investor as was the banner year of 1913.

The facts of the situation are these: that at the present time the daily production of all the oil fields east of the Rocky Mountains is about 600,000 barrels, while that of California is close to 300,000 barrels. If we take note of the importations from Mexico, duty free which amount to the same thing as our own production, we have a daily supply of 900,000 barrels and it is well to note that nearly 400,000 barrels of this comes from Kansas and Oklahoma alone, the Cushing field supplying 162,000 barrels and the Healdton field 50,000 barrels of this amount.

At the present time, the daily consumption east of the Rocky Mountains is approximately 400,000 barrels a day, and leaving California consumption and production of consideration, as there are no factors in marketing conditions outside of that state, we have an over-production of 200,000 barrels per day to deal with. In other words, we are producing one-third more than we are using. In ordinary circumstances this would be a serious situation, temporarily at least, for it must be borne in mind always that over-production is a phase which can only be temporary for natural as well as economic reasons. First because prolific fields are short lived and secondly because oil is a commodity which creates its own demand the more the supply of it is extended.

However, another factor comes into consideration at the present time. Europe imports vast quantities of our oil and just now is more than ever dependent upon us in this regard. The first object of the Russian offensive was to capture the Galician oil fields and

thereby cut off the supply of its enemies. There remained only the Roumanian and the Russian fields. In both of these countries many workmen were called to the colors and even though production has been fairly maintained throughout August and September because of the large number of flowing wells, the movement of the oil from field storage has been almost entirely suspended. Meanwhile there has been an extraordinary demand for petroleum products for military purposes which has been reflected in the unusual activity of the export trade since the latter part of August.

From the best information obtainable the shut down in the Galician fields and the constriction of output in Roumania and Russia has lessened the daily output of the European fields by about 150,000 barrels. This shortage must be supplied by this country and we find almost immediately therefore an offset to our own excess production of 200,000 barrels per day.

Meanwhile efforts are under way backed by the state authorities, to force a contraction of output in the Oklahoma fields, so that the prospect obtains that before there is a cessation of hostilities abroad, supply and demand will again be on an equal basis.

The outbreak of the war came at a time when our oil markets were stagnant and over-production acute, resulted in the unprecedented situation of a complete shut down in the buying of oil from eastern producers. Two days after war was declared the Seep Purchasing Agency, which buys all the oil run by the eastern group of pipe lines ordered its agents to take 100 barrels of oil from each producer and then stop buying.

Two weeks later however the seas were opened to tank ships, the demand from abroad had set in and orders to take one-third of eastern production was followed quickly by an order to take two-thirds. By September 21, the Seep Agency was taking all eastern production and by October 1 all production as well as all oil that had backed up in the tanks since August 1, was being absorbed

by the eastern refineries which were again running at full blast.

The activity in the East is more than matched by the refineries along the Gulf coast where tankers are being loaded as fast as the oil can be pumped into them.

Seven hundred thousand barrels of oil went out from Gulf ports for British Admiralty purposes in the last two weeks of August and the first two weeks of September. Besides this admiralty oil, great quantities of oil are being moved to England and France, Holland and Belgium and it is significant that charters for September loading covered 7,000,000 gallons of oil for Scandinavian ports, an amount far in excess of any previous demand in that quarter. The only inference from this is that the purchasers expected to find the means of putting the oil into Germany.

The oil companies which have profited most quickly by this condition abroad are: **Texas Company** and the **Gulf Company** which have exported enormous quantities of fuel oil as well as refined products within the last two months and the eastern group of refineries which have had to run full time to supply the sudden export demand.

Standard Oil of New Jersey, which markets a very large proportion of petroleum products used in Germany naturally has suffered some set back, but its refineries which had been running on one-half time in the early part of August are again going full blast and it has been chartering tankers right and left to make up for the enforced idleness of its fleet which flies the German flag.

Vacuum Oil Company will be injured to the extent of the interruption of its refineries in Austria and Germany, but this is only a small fraction of this enormous world-wide organization.

The producing companies are the only real sufferers as the resumption of activity has not as yet brought about an increase in the price of the crude product which within the last six months has dropped about fifty per cent. in the Mid-Continent region and about 40 per cent. in the fields east of the Mississippi river.

TRADERS' DEPARTMENT



SPECULATION : Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes

Hindsight

IT is very easy to reason backwards, particularly when considering events which have happened in the stock market. Many a Wall Street man is saying to himself, "What a fool I was not to see this war coming." But some of the largest banking houses and individuals with the best foreign connections, had no idea that the threadbare threat of danger would actually be realized. Up to the last hours, when Germany was demanding an explanation from Russia, banking houses in this city were in receipt of cables from some of the highest European sources to the effect that war was improbable, and the relations of these American and European bankers were so close, that the question of deception was hardly to be considered.

No doubt there were people here and abroad who knew what was going on beneath the surface. Many will say: It was common talk that war was impending. But we feel safe in believing that the rank and file did not give it the least credence.

However, a study of the average movements of fifty railroad and industrial stocks for the months of June and July last, leads to the conclusion that at least a certain group of people were confident that war would come and were making stock market commitments accordingly.

After recording a low point in April, at about the same level as in December, 1913, the market rallied and held fairly well for several weeks. In June the high point was 69.64. Then came a sagging

movement, led by some of the secondary leaders, which met with strong resistance, especially after the first sharp dip. The subsequent rally brought prices up to above 69 again. Here the sagging was renewed. Certain shrewd students of the market considered this a sign of structural weakness. Others, noting the resistance, believed that certain weak stocks were being raided for the purpose of accumulating the big speculative favorites. As matters turned out, it looks as though the selling was from European investment boxes.

Without breaking neutrality, or trying to place the blame, let us suppose that only one man—the Czar—knew that war was certain: His acts or his verbal expressions would certainly communicate this knowledge to some of the high officials in the Russian Government, and from them be passed along to others—particularly the brokers with whom they and their associates dealt. This, in itself, would have been sufficient to start liquidation all over Europe. Scepticism might play its part; many of those receiving the quiet tip might have refused to act, believing, with the majority, that at the last moment war would be averted. But a sufficient number evidently did take advantage of the opportunity.

On our side of the water, people were more inclined to look for bargains. Certainly no one here realized the full extent of the great catastrophe. The bulk of those who did sell short based their action upon the weakness of the market. They

were professionals. The outsider was more inclined to be bullish.

If the action of the market, during those days of June, has any lesson for us at all, it this: Your Morgans, Rockefellers and Schiffs may know less at times than a handful of Russian officials situated in the heart of Europe.

Study statistics and analyze situations

as you will, there is always that unknown factor which may over-balance every other consideration. There are times, in fact, when the human judgment counts for nothing, because problems involved are too vast for any single individual to grasp; when, as a great leader of American finance said at the time, "One man's guess is as good as another's."

Methods of Arbitrage Conversion

By ROBERT L. SMITLEY

THE business of Arbitrage Conversion of securities is one which is confined chiefly to the professional element of Wall Street. In most cases the margin of profit is so small that a layman would lose heavily in any attempt to undertake it. It is only in rare cases such as the Marconi Wireless exchanges in 1911-12 that big profits are made on a single straddle, but the risk was in like proportion in that particular case. It is only recently, since the dissolution of big companies like the Standard Oil and the American Tobacco Co., that this business has grown. It is only recently, also, that the convertible bond has met with favor. The issuing of new stock through the medium of "rights to subscribe" was unknown in its present form up to the late nineties.

Even the brokers have overlooked many possibilities, and it is only during the last four years that competition has developed in this line. One Stock Exchange firm now confines nearly all its efforts to making profits in the local conversion field. More recently the new stock offerings of Southern Pacific and Great Northern stock were the means of filling the rather empty coffers of a few more New York Stock Exchange firms.

The machinery for carrying on such a business must originate in the fertile brain of the broker himself. When a large margin of profit occurs in the straddle of rights and stock, there are many to quickly discover it and take

advantage before the field is overcrowded. A few simple illustrations of this new type of business are shown. It must be understood that the examples are taken from former opportunities and the prices are in accordance with conditions of other days.

The installation of such a department does not become a burden of expense for any fairly well-to-do Stock Exchange firm, when business is active. Either one of the partners or a well-informed clerk conducts the operation with the assistance of a good statistical man. It is usually the custom to employ as broker one of the specialists in the stock in which the trading is to be done; for he has the only real comprehensive knowledge of the orders placed in that particular stock.

The statistical department must furnish complete data of existing securities which can be converted from bonds. Reorganization plans of all corporations must be studied before the general public has been informed, and a positive knowledge must be gained of the basis for exchange.

The broker must know his different markets, and where two brokers divide the work, an interchange of information must be effected quickly. In case the London or Paris market is utilized, which is often the case, foreign arbitrage must be a part of the education. Quick quotations, and the ability to refrain from "taking a position" are other elements.

Details of Arbitrage Transaction.

A "WHEN ISSUED" OPERATION. The operator wishes to buy Allis Chalmers 5% bonds against the sale of "When Issued" Stock. This stands open until the date of actual conversion, unless a reverse position is taken. House interest can be charged, and commission credited. All dividends and accrued interest, if such a condition is possible, up to the time of conversion are to be credited. It is also correct, if real stock is sold, to give credit for short interest.

Debit.			Credit.		
Apr. 26. 10 A. H. 5%, @ 63½	....	\$6,350.00	Apr. 26. 100 A. H. Pfd. W.I. 60	....	\$6,000.00
" Commission	.....	12.50	" 35 "	Com. " 14	490.00
May 1. Int. to date, 4%	....	2.83			\$6,490.00
100 A. H. Pfd. recd.			Less com.	.....	16.87
35 " Com. "	.....		May 1. Bonus	.....	25.00
Profit	.....	132.80	10m A. H. 5% deld.		
					\$6,473.13
					\$6,498.13
					\$6,498.13

STRAIGHT CONVERSION. The operator buys Atchison convertible bonds and sells stock.

Debit.			Credit.		
Apr. 26. 10m Atch. 4%, 108½	....	\$10,812.50	Apr. 26. 100 Atch. com., @ 109%	....
" Accrued Int.	.....	162.22	" less com.	.....	\$10,950.00
" Stock Tax.	.....	2.00			
" Commission	.....	12.50			
Apr. 27. 100 Atch. recd.			Apr. 27. Bonus	.....	100.00
Profit	.....	60.78	" 10m Atch. 4% deld.		
					\$11,050.00
					\$11,050.00

STRAIGHT RIGHTS. This is easy for the specialist to handle when the rights and stock can be traded in by him at the same time. A simple illustration without details is shown. Supposing that So. Pac. rights are quoted at $\frac{1}{2}$ and the stock is to be subscribed for at par on par basis.

Debit.			Credit.		
Jan. 1. 100 So. Pac. rts. @ $\frac{1}{2}$	....	\$50.00	Jan. 1. 100 So. Pac. Stock	....	\$10,100.00
Feb. 1. Paid Co.	.....	10,000.00	Feb. 1. Short Interest	.....	60.00
" Recd. 100 So. Pac. Co.			100 rights deld.		
Profit	.....	110.00			
					\$10,160.00
					\$10,160.00

RIGHTS WHEN ISSUED. It is interesting to see what some of the daring speculators did with old Marconi.

Debit.			Credit.		
Apr. 26. 100 Marconi 240	....	\$24,000.00	Apr. 26. 500 Mar. new W. I. @ 13	\$6,500.00	
Com. & Int.	.....	23.15	" Less com.	.....	62.50
May 1. Assessment	.....	10,000.00			
2,500 rights and 500 new stock recd.					\$6,437.50
Profit	.....	4,914.35	May 1. 100 Mar. old deld.		
			2,500 Mar. rights sold		
			" 13	.....	32,500.00
					\$38,937.50
					\$38,937.50

A few illustrations follow. In some of these, commission and interest are charged, and in others, simply a bare outline of the completed account is given, to make the illustration understandable.

The following stocks and bonds are illustrations of "dollar for dollar" conversion: Atchison, 4 per cent.; two kinds of Atchison, 5 per cent., and Norfolk & Western, 4 per cent. The brokers often arrange a table of values

according to the prevailing prices, viz.: Buy Atchison 4 per cent, $\frac{3}{4}$ -point lower than stock; gain, 10.78. Buy Atchison 5 per cent, $\frac{1}{2}$ -point lower than stock; gain 8. Buy N. & W. 4 per cent, $\frac{1}{4}$ -point lower than stock; gain, 11.

The only feature to watch is the accrued interest on the bonds purchased and the date of the next dividend declaration on the stock sold.

The following stock and bonds are illustrations of unequal conversion, and

each day the operator must prepare a table showing the relative possibilities of gain. In case of Union Pacific the conversion privilege is worthless since the recent extra dividend was declared, as it threw the price of the stock away from bond conversion price. The example is:

Am. Tel. & Tel., 38 bonds equal 300 shares of stock. New Haven, 15 bonds equal 100 shares of stock plus bonus. Un. Pac., $17\frac{1}{2}$ bonds equal 100 shares of stock, plus bonus.

The Union Pac. and So. Pac. companies varied in relative positions every three months, and tables of conversion were furnished by the companies.

The table following shows the relative value of bonds and stock of Am.

Tel. & Tel. Co. with arbitrary prices:

Buy Bonds.	Sell Stock.
114	145.09
114 $\frac{1}{2}$	145.24
114 $\frac{3}{4}$	145.40
114 $\frac{7}{8}$	145.56
115	146.36
115 $\frac{1}{8}$	146.50

It is not denied that one of our largest trust companies made many thousands of dollars by utilizing the conversion privileges of the American Tobacco Co. when the Lorillard and Liggett & Myers companies were disassociated from the parent company, and in every case where a new issue of stock is brought out there is some kind of a possibility open to the lynx-eyed broker who has no commissions to pay.

Averaging With the Market

I WAS coming down in an elevator last fall when a large operator stepped in from one of the lower floors and hailed me.

"Hello," said he, "where have you been? Haven't seen you lately."

"But I've been in the neighborhood," I replied. "Never get out of sound of the ticker."

"How do you feel on the market?" he asked.

"Bearish, especially on Steel."

"Everybody's bearish on Steel."

"Well, sometimes everybody is right."

"Do you think the tariff will hurt it?" he inquired.

"Well, I have one estimate of three dollars a ton on twelve million tons, that's \$36,000,000 a year, isn't it? Not much left for the common, eh?"

"Not much, if it's true. Here it is 59 now. That's the lowest."

"It won't be the lowest for long, if the action of the stock is any indication. Still it ought to rally to 60 or so before it goes lower. It's a sale every time it rallies."

"What do you want to sell against the market for? Never increase your risk. Always buy or sell with the market, then you're playing with their money."

There are several opportunities every year wherein such a campaign might be successfully done. These situations are as clear as noonday for I have taken advantage of them myself and secured equal to 26 points profit on my original unit, out of an eight point straight move. It is only at certain times one should go into a deal of this kind. The risk can be reduced or eliminated (barring extraordinary circumstances) by reducing the stop at any stage.

The Scientific Appraisement of a Farm to Procure a Loan

By W. D. HORD

This is the second of a number of articles on farm mortgages as investments.—Editor.

THE farm mortgage is a distinctive investment and may be regarded as ranking high when safety is considered. Its soundness is being more firmly established each year.

In the appraisement of a farm for the purpose of a loan, many things must be considered. After all, the real value of a mortgage depends almost wholly on the value placed upon the farm. The question then arises: How can we best arrive at the value? Every expert appraiser has worked out a scientific way of placing this value.

When an investor is considering a farm mortgage investment, one of the first things that he should look into is the established reputation and responsibility of the company that negotiates the loan, for the expert appraiser is employed by this company, and he must be unbiased in every sense of the word. Be he ever so scientific in the appraisement of farms, he never depends solely upon his own judgment. When an application for a loan is received from the farmer, the loaning company gives interrogatories to the applicant which must be fully answered. They are then passed over to the company's salaried appraiser, who in turn secures the service of at least two reputable farmers that reside in the neighborhood of the farm.

Accompanied by these two assistants, the appraiser visits the farm in question, carefully studying all conditions that affect the loan. One of the first and most important things that is taken into consideration is the standing of the applicant. Is he a practical farmer? Is he in the habit of meeting his obligations when they fall due? Is he sober and industrious? Has he a good wife to aid him in his work? The next important question is: What uses does he expect

to make of the proceeds of the loan, if granted?

If the borrower expects to stock, to drain, to fence, or make other necessary improvements, it necessarily has considerable bearing with the appraiser. In the first place, if the applicant will agree to stock his farm with good live stock, and feed his crops on the farm, he demonstrates to the appraiser that he is practical. Any practical farmer will tell you that by doing so you keep the fertilizer on the farm and derive at least 40 per cent. more in actual cash receipts at the end of each season than if you harvested and sold your grain to the elevator or warehouse man. That is good business.

One other quite important question as regards the applicant is whether or not he occupies the farm as his home, or does he rent it to a tenant, and if so, does he accept cash or grain rent? There is considerable difference. In the first place, if the tenant pays a cash rent, it is only human and natural that he feels that he must get out of the farm all that is possible. On the other hand if he pays in grain or other crops, he returns to the farm the by-products, and thereby enriches the soil.

Without going further into the qualifications of the applicant, we must now turn our attention to the various phases that go to make up the farm. First we must assume that the title is in the applicant, for this is one of the things that the negotiating company guarantees to the investor. Next in order is the productivity. Not what it produced last year, or what will it produce this year, but what has it produced for the past five years. Is the farm properly fenced, to permit of alternating crops from season to season, and to allow good pastur-

age for the stock? Each field is taken into consideration. Is there running water in the pasture fields? In countries where the precipitation is too great, the drainage question is of much importance. In arid countries the question of irrigation is paramount. Too much water sometimes plays more havoc than not enough water. In irrigation sections the moisture is controlled by the canals, and rainfall is not depended upon.

Next in importance is: How far is the railroad market, and what kind of wagon roads lead to this market. If the applicant feeds his produce, this does not have the same bearing as if he raises such crops as cotton or wheat. Both of these must necessarily be delivered to the cotton gin or wheat elevator. And the shorter distance and the better the road, the less time it requires and less wear and tear on the teams and wagons in a season, all of which amounts to considerable in dollars and cents. Proximity to school, churches and trading center are also taken into consideration. In this day and age with the rural free delivery, the location of the post office fades into insignificance.

The community in which the farm is located plays no small part in arriving at the value. If the farm is surrounded by highly cultivated, well-kept farms, it is natural that this farm would sell for more than if the reverse was the situation.

Too many investors have the erroneous idea that all an applicant has to do, is to make application for and receive the amount he asks for as a loan. That I may better demonstrate that such is not the case, let me give you some of the more important questions that he must answer, before any loan is considered. These questions are in addition to those heretofore referred to, and they must be fully replied to: How is the land watered? What part of the land, if any, is subject to overflow? How many acres under fence? (Describe in full, giving number of rods, each kind.) What is the general character of the soil? Subsoil? Describe the surface. (State how many acres hilly, level, rolling, stony, rough or broken.) What are the principal crops grown in your section? Give material, size and description of build-

ings, with condition and value of each. What amount of fire, lightning and tornado insurance will you assign with the loan?

When and of whom did you purchase the land? How much did you pay for it? What improvements have you made since purchasing? How much did such improvements cost? What improvements do you contemplate making this year? Estimated cost of same? What, in your judgment, is the actual cash value of the buildings, fencing, fruits, wells, etc.? What do you estimate the actual cash value of the land and improvements as they stand today? What is the value of the farm implements and machinery? What live stock do you own? Are your live stock and machinery fully paid for? What other real estate, if any, do you own? What is the value of your personal property not mentioned above? What is the amount of your total indebtedness at this time? Are you engaged in any other business than farming? For what purpose is the money applied for to be used?

After replying to the above questions, the applicant declares under oath that every statement is true in every particular; that he is in peaceable possession of the property; that his title or possession have never been questioned; that he is neither principal nor surety on any bond which is or may become by law a lien on said premises; that there are no judgments against him nor liens unsatisfied upon said premises, nor suits pending against him in any court of record of the state in which he resides or the United States, which can result as a lien thereon, that will not be removed before the loan is completed; that there is no liability of any lien being filed by mechanics, or others, which can take precedence of the lien of the loan he is applying for; and that there are no unrecorded deeds or mortgages except such as will be shown by the abstract of title that he agrees to submit.

It will be noted that all of the above furnishes an exhaustive statement in detail of the character and conditions of the security offered. In addition to the above the application contains a sworn appraisement of the security by two land owners and residents of the county in

which the farm is located, and a personal examination and recommendation of the amount to be loaned.

When information from all sources is accumulated, the expert appraiser makes his recommendations on a single sheet, and gives a general synopsis of the findings of himself and his associates, in writing, a copy of which is placed before each member of the finance committee of the mortgage or loaning company. This finance committee takes into consideration the statements of the applicant, the sworn statement of the two land owners, and the report of their expert appraiser, and endeavors to fit the mortgage to the mortgagor, and only loan him such an amount as will not exceed forty to fifty per cent. of the real value of his farm.

If the committee decides to make a loan that the applicant will accept, the necessary papers are drawn according to contract. The crisis, however, is the passing of the money. The loaning company must guard itself against possible liens on the property, and if there are liens, the applicant for the loan must execute power to the company to pay them direct to the holders of the liens.

Thus the investor in farm mortgages can readily see what extra precautions are taken before a loan is made by a company which values its reputation.

While the element of risk is extremely small, very few companies legally guarantee their mortgages. The reason for this is that all good companies take every precaution in placing the "real, under-the-hammer" selling price on the farm, and then never loan to exceed 40 per cent. of that amount. By limiting their loans to this percentage of value they regard the farm in itself a sufficient guarantee, and that the loan will be paid when the mortgage falls due. However, no reputable company ever permits an investor in its mortgages to take a farm in the event of foreclosure unless he so wishes.

Every company has a keen sense of its moral obligation and stands ready to protect the investor by acting as his agent in securing title to the property and disposing of the same at a price above the amount originally loaned. This requires time, which depends upon the laws governing the various states regarding court titles, redemption privileges, etc.

As a closing word, let me say that every appraisement and loan is made so conservatively that even if the worst may happen, the investor will not lose in the event of default. He gets either his money returned with interest or a farm that is worth at least 50 per cent. more than the loan amounted to.

Europe is Providing our Investment Funds

IF any one ever had a doubt that the United States would do a big business with Europe during the war, he has only to watch the reports of commercial transactions now appearing in news columns. These are a few of the orders which are pouring in from France, England, and other countries involved: Six hundred motor trucks; 500,000 spools barbed wire; \$7,000,000 worth of saddles, harness, etc.; 100,000 tons of sheet steel; 3,000,000 pounds canned beef; 1,000,000 pairs of shoes; 500,000 pairs of socks per week; 1,500,000 army blankets; 6,000,000 horseshoes.

These and thousands of other similar orders not only directly affect a number of our large industrial corporations, but indirectly stimulate every other line of industry in America, because they give employment to many who would otherwise remain idle. Increased employment means enlarged purchasing power.

There is another side to this question. It takes money, and the nations making these expenditures will soon be providing the funds in hundreds of millions, with which we may buy their securities.



THE FORUM

Where Every One Has His Say

As the Romans gathered at their Forum to discuss questions of common good, we invite our readers to make this department their common meeting ground—to contribute their views on financial topics of general interest and to ask questions relating to the science of investment, methods of operating, customs of the markets, general financial conditions, etc. If you should disagree with us or with our contributors, we will gladly print your criticisms, space permitting. We welcome suggestions. Tell us what articles best fit your needs and then we can serve you to better advantage. Write your comments as you would speak them. The style of your writing will not be considered—only the information you give. Write on one side of the paper only. If you desire a personal reply to questions, please enclose stamped and self-addressed envelope. Address, THE FORUM, care of MAGAZINE OF WALL STREET.

An Interesting Experience.

I have never had any special desire to see any of my ideas in print, and the evidence before you may account for that; however, my feeble ambition in this respect was stung into activity by reading your September issue. Without a doubt this is your Master Number and it is well headed, "A hundred pages of practical help," as it contains more real information to the square inch than is to be found in a square yard of most of the magazines in this class.

To give you even the briefest synopsis of the circumstances surrounding my case as to how I became interested in finance and wherein this particular number benefits me, would be a long story. Suffice it to say that the experience covers eighteen years, and is full of trials and tribulations too numerous to mention.

About ten years ago I began reading the financial news assiduously and developed all the theories and ideas of a beginner. I found that while experience is an excellent teacher, the tuition is high. About this time a copy of "Fourteen Methods of Operating in the Stock Market" fell into my hands, just when being a "Panic Player" was the height of my ambition. I had just had my first experience in buying a lot from a man who needed the money. This I re-sold about a year later and doubled my money. It led me to study every thing on the subject I could find.

Then I got a little experience in the stock market, trying to buy on the reactions and sell on the bulges, according to my charts, of which I believe I had a bale. I was by nature

a bull, but I simply couldn't make my salt trying to buy low and sell high. I never straddled. I decided to try the short side, and putting up some securities as collateral, got short of a few good ones, but I heard so much bull dope around the brokerage house that I had to "sell down to the sleeping point" in order to get any sleep at all. After a term or two on this side of the school of experience I tackled "Studies in Tape Reading" and decided that I never would make a successful margin trader. It simply wasn't in me. Even a balloon will rise only so high, as it encounters a stratum through which it has not the strength to go. So I backslid to the original decision, and became an outright purchaser of the panic player type. Out of my margin experience I learned that I possessed two essentials necessary to the panic player: (1) The ability to discern when I was wrong, reverse my position or take a quick loss and quit. (2) Unlimited patience to wait for what I consider a favorable price, varying of course with conditions in general.

I studied the market in the summer of 1913 and was caught napping in the break of June. Waiting for what I thought would be a reaction in the fall, I hit it about right by buying Southern Pacific, November 13, at 85. It turned up again after touching 83, and I sold out at 90, just 43 days after the purchase. Meantime, I had received a dividend of 1 1/2%, making 7.3% for the net profit in a little over six weeks. This stock worked slowly back and forth, and finally ran up to 99 1/2. I began to think that I should have loaded up while the price was low, but I re-read "Fourteen

"Methods" and didn't feel so bad—all things considered.

I watched the board almost daily for months and on July 15, 1914, gave my broker an order to buy Northern Pacific at 108. He all but refused it, characterizing it as a hundred to one shot.

He was re-called from his vacation a fortnight later to assist in the general scramble. I got the stock, as well as a splendid line of Southern Pacific, Union Pacific, Great Northern preferred and others, on a scale down (making a fine average), before the Stock Exchange closed, July 30.

I have rented a safe deposit box and put my "boarders" in it. They all pay good "board." But right here I want to say that it is NOT my intention to "forget about these securities for a few years" only to take them out some day and find that there was a "Morgan Moth" among the lot and the whole more or less "New Havenized." I propose to keep posted and to keep the lot more or less active. To this end I read the MAGAZINE OF WALL STREET and regard it as the *piece de resistance* of my financial food.—T. A. P.

Home Reading Course—Crises, Trade Cycles, Etc.

[NOTE—To give an idea of how we handle the Home Reading Course, as well as to cover a number of interesting points brought up by this student, we publish this letter, with our reply, in full.—EDITOR.]

Enclosed find answers to Test Questions.

I am finding the work very enjoyable, and if it is not also very profitable to me, the fault will lie with me and not with the course. I also find the Magazine a source of excellent inspiration and knowledge. Many things are now clear to me that before I would have had to humiliate myself by asking about from people that I would prefer to have take it for granted that I knew these things.—D. A.

It is very gratifying to us to see, from your answers to the Test Questions, that you are assimilating the information thoroughly and are evidently getting genuine benefit from it. Many of your answers are admirably expressed and show a genuine understanding of the basic principles—as for example, your replies to questions 17 and 19.

In a few cases, however, your replies are incomplete or show a partial misunderstanding.

Under Question 1 you do not describe the "Accidental" panic. You will find a good explanation of this on page 12 of "How to Forecast," first paragraph.

Question 5.—Your statement that "Crises are not due to any scarcity of money but to an excess of credit," needs a little qualification. In a general way this is correct; but an excess of credit is often followed by hoarding of money, so that the immediate, though not the fundamental, cause of the crisis may be scarcity of money. Also, a crisis may be brought on by heavy withdrawals of money by foreign nations, as in the case of the mild crisis that we are now pass-

ing through as a result of the European War.

Question 11.—All that you say applies to a partial over-production, or a "disproportionate production of things." But the term "general over-production" has usually been used to mean an over-production of all kinds of products at the same time. Human wants have always exceeded human powers of production and there is no reason to suppose that they will not always do so. So that in that sense a "general over-production" is impossible. However, there may easily be a temporary over-production—the world may produce at a certain time more goods than can be bought and paid for at that time. See Burton's "Crises," pages 115 and 116.

Question 12.—There might be still more said about the psychological factor in the trade cycle. Read carefully pages 95 to 99 of the "Psychology of the Stock Market."

Question 14.—Major crises, 1819, 1837, 1857, 1873, 1893, and, I am inclined to believe, 1913-14. Mr. Crowell calls these "commercial panics." Minor crises, 1847, 1866, 1884, 1903. The crisis of 1907 is difficult to classify. Five or ten years from now we shall probably be able to look back upon it and see it in its real relation to the trade cycle. There have been various other "accidental" crises.

Question 16.—You are in error in the statement that there is any fixed relation between loans and deposits. The fixed relation is between reserves and deposits. The ability of a bank to make loans is of course dependent in large measure on the amount of its deposits, but there is no fixed relation between the two items.

If any of the above comments are not thoroughly clear to you, you will of course call upon us for further explanations. Accept our best wishes for your success. We desire to do everything possible to promote it.

Judging the Three and Five Point Swings.

"M. L." is quite correct in his idea that the smaller swings form the basis of trading operations—except that they happen after the trades have been started and are not, directly, made the object of trading. In other words, there is no way, so far as I have ever been able to see, to determine the *extent* of a swing until after it is over. If he will take your advice and read through my series on "Notes on Office Trading" with this point in mind he will see that the whole aim is to solve a two-fold "strategical" problem, before undertaking the "tactical" operations dictated by the diagnosis thus arrived at.

This problem is: (1) Bull or bear? and (2) Which stock? When a definite, and not merely tentative, answer to these questions has been made, he is supposed to act in accordance therewith, and buy or sell the stock indicated. At that moment the range of his judgment is limited to the *direction* of the anticipated swing. As a matter of fact, in most cases the judgment is formed at a moment when there is the possibility of much more than a mere four- or five-point move, and it is not

until he is out again, for tactical (technical) reasons, arising after the trade has been started, that he can find out that he has participated in a swing of any particular size.

A trader's views should be limited in this respect, for the reason that it is fatal to have an idea that the market "ought" to do a certain thing. Unless he does so limit them he is blunting his sensitiveness to signs of a change in the trading conditions which justified the trade at its inception. My personal experience has convinced me that the best I can ever hope to do is to correctly forecast the direction of a swing, and when the trade has been made to adopt an attitude of "watchful waiting" for a signal to get out. Later on it will appear whether I have made something out of a minor swing or a turn during the course of a big move; but I shan't know until it is all over and become market history!—B.

Loans of Trust Companies.

How is it that the trust companies are always overloaned? Why does the United States Banking Department allow them to overloan when it does not allow the national banks to do the same thing? What reserves are the trust companies that are members of the clearing house required to maintain?—J. P.

Trust companies that are members of the New York Clearing House are, under the present law, required to keep a reserve of 25 per cent. of their deposits, of which 15 per cent. must be in cash in their own vaults, the remaining 10 per cent. may be deposited in the banks and may be counted by the banks as a part of their legal cash reserve also. As a result of this rule the Clearing House Trust Companies always appear to be overloaned as compared with the banks, but are not so in reality.

It is true that the loans of many of the trust companies habitually exceed their deposits, but with this the law has nothing to do, nor do the Clearing House rules cover this relation. The national banks of the United States, taken as a whole, are always in the same condition, or at least nearly always. A bank or trust company can safely loan, not only its deposits but also a part of its capital and surplus. The law prescribes a fixed percentage between cash reserves and deposits, but not between loans and deposits. That matter is left to the discretion of the institutions themselves.

When a bank or trust company is really overloaned, that fact shows itself in the increase of deposits beyond the amount fixed by the 25 per cent. reserve requirement. The reason of this is that every loan, as ordinarily handled by the banks, is at once credited to the account of the borrower and thereby becomes a deposit. Hence the deposits rise to correspond, in a general way, with the increase of loans.

Thank You.

Your September and October numbers were so full of meat I cannot refrain from telling

you of it. I am reading both numbers from cover to cover. The information you give on so many securities is helpful beyond measure. Have already bought some and shall soon buy several stocks.—J. O. C.

Exhausted Margin.

I have been asked by my broker to take up my account or close out my 50 shares of stock. I have a stop order only a point or so under the closing price of July 30, and if this stop is caught it will probably exhaust my margin. I thought the firm enjoyed unquestioned credit. What do you advise?—E. W.

Look at the broker's side of this proposition. Here is an account on which there is practically no margin. Your stock closed at a price so close to your stop order that there is no protection whatever for the house which is carrying it. Suppose it should open down 5 points (no one knows at what price it will open), you would owe something over \$200. Therefore, the firm would, in carrying your account over the opening, run the risk of a \$200 loss. Now what has the firm received in commissions thus far?—\$6.25. When the account is closed it will receive \$6.25 more. For \$12.50 they cannot afford to risk losing \$200.

No doubt you might be willing to pay up if the stock had to be sold out at \$200 loss, but this would not be sound brokerage business, and no house which would undertake transactions of this kind would be worthy of the confidence of other clients. It seems, therefore, that the situation brought about by the war has put your account in a hole from which there is no apparent relief but to sell the stock and take the difference due you. We realize that this is very hard on you, but it is not the fault of the firm, nor does it in any way reflect on their credit. In fact, if they were willing to carry the stock for you without margin, it would reflect on their credit—very much so. Under the circumstances, we can only advise you to send them an order to close the account out, however much we would like to see some other way out of the difficulty. Everybody who has securities is in the same boat, only some are pinched harder than others.

Critics Are Our Best Friends.

The trouble with your magazine is you give no definite information. You say "Now is the time to buy," "What to buy," but you do not give any particular stock. Your quotation column does not give anything hardly, but "all run down" stocks and common stocks at that. I want preferred stocks of sound companies.—S. N. M.

We assume that when we pointed out the strongest common stocks readers would understand that the preferred issues were even more desirable. However, we will be explicit. We suggest the following preferred stocks:

Union Pacific preferred, Atchison preferred, St. Paul preferred, Norfolk & Western preferred, Sears-Roebuck preferred, United Cigar

Stores preferred, Bethlehem Steel preferred, U. S. Steel preferred.

It would be best for you to distribute your funds among these.

Tennessee Copper.

In one of your recent issues you stated that Tennessee Copper was producing large quantities of metals *other* than copper. Please give me the approximate percentage of income of this company from copper and also from other metals, and state percentage of each as near as possible.—Y. Z.

You evidently refer to our statement in the Investment Digest for October, that Tennessee Copper has departed from the ranks of a strictly copper producer, that metal being more or less a by-product. This company's principal output consists of sulphuric acid, which is sold on very favorable terms to the International Agricultural Chemical Co. under a long-term contract.

In 1913 the company produced nearly 18,000,000 pounds of pig copper, of which 4,250,000 pounds were from custom ore. It also produced 197,713 tons of sulphuric acid. Statements do not give the detailed profits from these operations.

The following fact has not, so far as we know, ever been published: This company has very large deposits of iron ore on its property. Before very long we expect to see some devel-

Buy Convertibles.

I have \$2,000 I would like to invest in bonds. Would you kindly send me list you would recommend?—A. H. K.

We should invest the \$2,000 in convertible bonds, for the reason that these will give you a call on the stocks of the respective companies for a period of years, and when the natural recovery of the market takes place, you should be able to realize a handsome profit thereon. But be careful to select the most desirable issues.

In our Bond Buyers' Guide, at the top of page 433 of the September issue, you will find seven issues, which, with the possible exception of the Baltimore & Ohios, are safe and attractive. The most desirable seem to be Southern Pacific Convertible 5's and 4's, for the reason mentioned in the article, page 520, October issue. One of these days Southern Pacific should sell much higher. These convertible bonds, while returning a good income meanwhile, should advance accordingly. If you do not care to put all your money into Southern Pacific, you could buy one of the St. Paul or Atchison convertibles.

Non-Delivery of Magazine.

X. X.—We are very glad that the non-delivery of your magazine was not our fault. It might be worth while, so long as matters are so loosely conducted in your town post office, to have your magazine sent by registered mail. The additional cost would only be \$1.20 a year.

The magazine is always mailed promptly on or about the 25th of each month.

Great Northern the Better Stock.

Atlantic Coast Line and Great Northern preferred are both quoted the same, and pay the same percentage of dividend. I am undecided which of the two would make the better buy, both as an investment and with a sprinkle of speculative feature attached. Would you care to advance an opinion? If you can do so, and please give me the dividend period of these roads.—F. S. N.

We have no hesitation in expressing the opinion that Great Northern is the better stock to buy. As you will see in the article on "The Melon-Cutting Stocks" in our October number, Great Northern is especially desirable.

Dividend periods on Atlantic Coast Line, January and July 10, 3½% each, viz.: 7% per annum. Great Northern, February, May, August and November 1, 1¾% each. Transfer books close usually three or four weeks in advance of these dates.

Buying Cotton.

Can cotton be bought for cash through the banks? How long can it be held for a profit—that is to say, will it depreciate in value if held too long? What is considered a safe margin when trading through brokers? Can you give me the name of a responsible cotton broker in the Boston market?—X.

Replying to your inquiry of the 3rd inst., cotton can be bought for cash through some of the Southern banks, but this would be a very expensive operation. You would have to pay interest, storage charges and other expenses. A much better plan is for you to buy "futures" through your cotton broker. A good house in Boston is _____ & Co.

We have no doubt that in these times they would require a margin of \$500 on a contract of 100 bales, which is the minimum.

Cotton can be held indefinitely. When properly stored it does not in any way deteriorate in quality.

Suggestions—Dividing One's Investment.

Would suggest for your consideration, for your next paper: (1) A list of the unlisted bonds offered by different bond houses, under the houses' names, but to be sent for through your paper. (2) A monthly article dealing with one best investment—underlying bonds of some railroad, such as Louisville & Nashville General 6's.

Personally my basis of investment is roughly one-third first mortgage bonds or mortgage certificates, or municipals, one-third convertible bonds, one-third stocks.

This places one in the position of either two-thirds creditor, or two-thirds interest in stock if times become prosperous.—D. M. B.

Thank you for the suggestions. We shall present some bond articles such as you describe. Your plan of investing is a very creditable one, for you thus put yourself in a position that is desirable, with comparatively small risk.

The Latest Financial Books

Banking Practice and Foreign Exchange. By E. L. Stewart Patterson, Acting Inspector, The Canadian Bank of Commerce, and Franklin Escher, Lecturer in New York University School of Commerce. Limp leather binding, 637 pages, including appendix, bibliography, and index. (Alexander Hamilton Institute.)

This is part of the Canadian edition of the "Modern Business Course." The book is divided into three parts, the first dealing with banking principles, the second with banking practice and the third with foreign exchange.

The general subject of banking is thoroughly discussed and particular attention is devoted to the Canadian Bank Act of 1913. The various sections of this act are discussed in detail. Part second, covering banking practice, takes up the entire organization of a bank, including staff, books and records, handling of deposits and loans, cost accounting, internal inspection, labor saving methods, etc.

About one-third of the book is devoted to foreign exchange. The different operations in the exchange market are very clearly explained and their connection with exports and imports, the movement of gold, foreign remittances, etc. Both sterling exchange with Great Britain and continental exchange with all the principal commercial countries are carefully explained.

The book is printed in large type, with numerous illustrations of the forms of statements, bank books, and daily records of various kinds. It will be of special interest to those connected with Canadian banks, but the greater part of its contents is equally applicable to banking conditions anywhere.

The Value of Organized Speculation. By Harrison H. Brace. Cloth, 290 pages, including index, appendix and diagrams. (Houghton-Mifflin.) For sale by MAGAZINE OF WALL STREET. Price \$1.63 postpaid.

This is a study of speculation upon the exchanges. It is written with the purpose of presenting both advantages and disadvantages with absolute impartiality in order that the net value of organized speculation as an economic and social factor may be estimated.

The chapters on prices are exhaustive, and three separate tendencies characteristic of exchange markets are described and commented upon. It is held that the ever-varying factors act and react upon one another in great complexity, causing the numerous changes in price. Besides the direct effect upon prices, indirect effects are considered, such, for instance, as the facilities for hedging afforded by the speculative markets.

POOR'S MANUAL OF INDUSTRIALS FOR 1914.

(Fifth Annual Number.)

The book contains 2,500 pages, or about 300 pages more than any previous issue. About 750 new companies have been added and many new income accounts and balance sheets. These tables are mostly in comparative form. Information is given, wherever possible, showing whether or not bond interest is payable without deduction for the normal United States Income Tax. In addition, the Manual contains an Appendix giving late information on the Railroads and Utilities, supplementing these two Manuals. The publication of this volume completes Poor's Manual for 1914. The three books together contain over 6,500 pages, covering the entire field of corporate investment in America. They give statements of practically every corporation in which there is a public interest, and are noted for their accuracy, completeness, and thoroughness.

For sale by MAGAZINE OF WALL STREET, price, \$10.50, delivered.

Ocean Traffic and Trade. By B. Olney Hough, Editor, *American Exporter*. Cloth 430 pages, with bibliography, index, foreign trade map and numerous sample forms of documents. (LaSalle Extension University). For sale by MAGAZINE OF WALL STREET, price \$3 net.

Some of the chapter headings are: Sea Borne Traffic—Ocean Carriers—Inspection and Regulations—Ships' Papers—Seaports and Terminal Facilities—Shipping Routes—Charters and Rates—Agreements, Pools and Conferences—Handling Exports and Imports—Small Shipments—Insurance—Finances of Shipping Companies—Getting Foreign Business—Developing Export Trade—Credits and Collections.

The book is at the same time readable and practical and is entitled to a place among the best reference works. Those engaged in foreign trade or contemplating it cannot afford to miss the book, while it contains a fund of interesting and useful information that will be of value to any reader.

Earnings of All the Railroads.

Estimates based on early and not wholly official returns indicate that in the year to June 30 last the railroads of the country earned approximately 4.35 per cent. on the book value of their investment in road equipment, as compared with 5.10 per cent. in 1913. This shows there has not been the recovery which has been freely predicted from the beginning of the year.

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation, with the best available comparisons for the corresponding month (or nearest month obtainable) in each of the four preceding years.

	Average Money Rate	Average Money Rate	Per Cent. Cash to Deposits, New York	Per Cent. Loans to Deposits, New York	Per Cent. Cash to Deposits, All National Banks	Per Cent. Loans to Deposits, All National Banks	Per Cent. Money in Circulation, Per Capita First of Month
	Prime Commercial Paper New York	European Banks	Clearing-house Banks	Clearing-house Banks	National Banks	National Banks	
October, 1914.....	6 1/2	5 1/2	25.3	106.4†	.....	.....	\$37.15
September, 1914.....	6 1/2	5 1/2	22.7	102.8	.....	.....	35.03
August, 1914.....	6 1/2	5 1/2	22.9	100.7	15.5*	102.8*	33.96
October, 1913.....	5 1/2	5	25.6	101.1	15.3*	103.5*	34.80
" 1912.....	6	4 1/2	25.4	100.3	16.2*	102.5*	34.42
" 1911.....	4 1/2	4 1/2	25.9	98.5	17.3*	102.8*	34.42
" 1910.....	5 1/2	4 1/2	25.7	102.1	15.5*	103.2*	34.35

*June. †Affected by emergency currency.

	New Securities Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City (000 omitted)	Balance of Gold Movements —Imports or Exports (000 omitted)	Balance of Trade Imps. or Exports (000 omitted)
September, 1914.....	.....	\$10,027,042	\$5,398,919	Ex. \$19,105	Ex. \$16,984
August, 1914.....	\$104,524	9,932,159	5,350,958	Ex. 15,090	Im. 19,061
September, 1913.....	27,657	13,446,948	5,991,031	Im. 4,130	Ex. 47,155
" 1912.....	47,735	13,076,665	5,643,819	Im. 3,632	Ex. 54,858
" 1911.....	36,583	12,606,056	5,421,077	Im. 2,351	Ex. 70,627
" 1910.....	71,824	11,395,370	5,164,355	Im. 1,369	Ex. 51,609

	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.	Whole-sale Price of Pig Iron (000 o'td.)	Produc'n of Iron (Tons.) (000 o'td.)	Price of Electro. Copper per (Lbs.) (Cents.)	Production (Millions) (U. S. \$t'l)	U. S. Co. Unfill. Tonnage (000 o'td.)†
October, 1914.....	9.24	....	\$12.90	....	11.3	....	....
September, 1914.....	9.75	2,698	13.25	1,883	12.1	....‡	3,787
August, 1914.....	8.71	2,565	13.25	1,995	12.3	....‡	4,213
October, 1913.....	9.15	2,714	14.35	2,505*	16.3	131*	5,003*
" 1912.....	9.45	2,740	16.80	2,463*	17.3	140*	6,551*
" 1911.....	8.80	2,593	13.25	1,977*	12.1	115*	3,611*
" 1910.....	8.92	2,418	14.25	2,056*	12.5	119*	3,158*

*September. †Last day of mo. ‡Reports discontinued.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures Total Liabilities.	Winter Liabilities.	Winter Wheat.	Crop Conditions. Spring Wheat.	Babson's Average 10 Leading R. R. Corn. Cotton. Bonds.
October, 1914.....	131,027	.....	.....	.....	.....	72.9	....
September, 1914.....	163,326	\$31,477,812	\$27,394,769	....	68.0	71.7	73.5
August, 1914.....	196,665	34,168,381	38,709,617	....	75.5	74.8	78.0
October, 1913.....	10,374	39,073,309†	19,343,267†	....	75.3†	65.3	64.1†
" 1912.....	31,579*	36,827,818†	19,464,440†	....	90.8†	82.2	69.6†
" 1911.....	35,897	46,562,982†	14,412,902†	....	56.7†	70.4	71.1†
" 1910.....	13,316	41,415,868†	16,045,479†	....	63.1†	80.3	65.9†

*Shortage. †September. ‡July 30.

The Market Outlook

Some of the Factors Beneath the Surface of Current Events

[NOTE.—This department deals primarily with investment, not purely speculative conditions. Expressions of opinion apply to the long movements of prices, often extending over a year or more. For instance, early in 1912 a bullish position was maintained; toward the end of the bull movement in the fall of 1912, a decline was predicted; thereafter a generally bearish view was expressed until the fall of 1913, when purchases of carefully selected stocks were recommended. Readers, therefore, should not attempt to gauge the immediate movement of prices by the factors analyzed here.—THE EDITORS.]

EASIER money is the outstanding feature of the situation as affecting stocks and bonds. The change is really more important than is indicated by the fall in the money rate, because heretofore it has been very difficult to borrow money at all on collateral at New York. The rate of 8 per cent. has been largely of a nominal character, in the sense that no considerable amount could be borrowed at that rate. Now call money is available at 6 to 7 per cent., according to the nature of the collateral offered, and there is every indication that still lower rates will prevail before long. Commercial paper, which has been firmly held at 7 per cent., is now 6 to 6½, with greater ease in prospect.

There is no reason to think that the course of the money market will be different in this instance from what it has been in all previous similar cases. A regular routine is followed:

(1) Breakdown of credit, from whatever cause.

(2) Hoarding of cash by banks and by individuals, making it impossible to borrow in large amounts.

(3) Application of emergency remedies—clearing house certificates, deposits in banks by U. S. Treasury, and in this instance, emergency currency.

(4) A period of waiting to see whether the worst is over, during which business of all kinds falls off sharply because of inability to get money to carry it on—also because many business men foresee a period of dullness.

(5) Smaller business means that less money is required to handle it, hence cash is released and begins to flow into the banks.

(6) Seeing this, hoarders gradually loosen up and the money they have been holding out of use returns to its normal channels.

(7) Idle money accumulates in the banks and the money market becomes superficially easy, but the supply of capital continues small.

(8) Capital slowly accumulates during a period of one to three years.

* * *

WE are now in period (5), as above outlined. There are two peculiarities in the present situation: First, the exchange being closed it has been impossible to liquidate loans on stock exchange collateral to the same extent as usual; and second, while the process of accumulating new capital in this country has already begun, that is not the case in Europe, where all available capital is being swallowed up by the expenses of the war.

We may well ask, What will be the effect of these two conditions? In what ways will business recovery now differ from business recovery in 1908, for example?

The closing of the exchange is operating to lessen the severity of the liquidation and at the same time to lengthen out the recovery. The crisis has been made less severe by spreading it out over a longer period of time.

If the exchange had remained open there can be no doubt that a panic would have resulted—probably the worst within the experience of the present generation. There would have been a great increase in the number of failures and the shock to business would have been far more severe. But it is also true that liquidation

tion would have proceeded far more rapidly; less money would have been tied up in loans; cash would have been more quickly released from general business uses; and a lower range of prices would have checked imports and encouraged exports, thus more quickly restoring the foreign exchange position to normal.

Few will have the hardihood to assert that the exchange could have remained open without risking disaster; but the closing of the exchange has resulted in a slower working out of the problems of the situation, which makes severe demands upon the patience and the endurance of all classes.

* * *

IN regard to the second point mentioned—that Europe is wasting capital while we are accumulating—the effect is two-sided. The capital of the world as a whole will be depleted by the war; but America occupies a position of peculiar advantage which may offset our inability to draw capital from abroad.

Certain industries are already benefiting by big foreign orders and these orders will steadily increase as long as the war lasts. Moreover, we must for the most part make for ourselves the goods formerly imported from abroad. Here are two demands which must be filled in addition to our ordinary domestic demand.

The natural result of this will be a gradual increase in the activity of established industries, but accompanied by a scarcity of capital for the launching of new enterprises. Since the demand due to the war is temporary, manufacturers will not be inclined to enlarge their plants to meet it, no matter how many big orders are at the moment in sight. Promoters will have difficulty, for the same reason, in financing new construction, and they will meet an additional difficulty in the paucity of available capital.

We are thus facing a mixed situation, in which forward progress may be irregular and slow; but that the coming change will be in the direction of progress is scarcely open to doubt.

* * *

IN the meantime, the prices made in the New Street market are not to be taken seriously. It is a market made by the necessities of sellers. Buyers are of the bargain-hunting variety, hoping to

pick up a few stocks at much less than they are worth. It is impossible to sell any considerable quantity of stocks there and it is equally impossible to buy in large lots. Transactions are all in small lots, which the seller feels that he must get rid of at any cost.

As to when and at what prices the Stock Exchange will open we are almost as much in the dark as ever, except that we can clearly see that progress is being made toward the opening, both here and in London. Much depends upon the fortunes of war. That the next broad movement of prices will be upward, seems to us highly probable.

* * *

THE importance of the coming decision of the Interstate Commerce Commission on the renewed application of the railroads for higher rates would be hard to over-estimate. If it is made clear that the railroads of this country are to get a "square deal"—then their stocks would without question respond promptly to improvement in business conditions and very likely would discount such an improvement.

Also, if the roads can see their way clear to a fair income they will enter the market for supplies, which in many cases they need badly, and their prosperity will thus be distributed to the steel equipment, and through these to a wide range of other industries.

Building construction is now almost at a standstill, owing to the difficulty of getting money to finance such work; but with the arrival of easy money, now slowly on the way, builders will renew their activity. This also will help the steel companies. In fact, if higher railroad rates are granted, the steel companies are now probably in the lowest depths of their slough of despond, so that any important change would be for the better.

It is not to be forgotten that the prosperity of our farmers, who have good grain crops to sell at good prices, will have a wide effect on the prosperity of other industries. If the farmer's grain and the merchandise it buys can be carried by the railroads at remunerative rates, the resulting benefit will spread through nearly every department of industry.

